

THE SPROUT FUND

Financial Statements

December 31, 2009 and 2008

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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, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. 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 audit 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Alpern Rosenthal

October 29, 2010

THE SPROUT FUND

Statements of Financial Position

December 31	2009	2008
ASSETS		
Cash and cash equivalents	\$ 691,731	\$ 990,019
Pledges receivable - Note 2	595,072	660,182
Property and equipment - net - Note 3	<u>20,160</u>	<u>22,280</u>
Total Assets	<u>\$ 1,306,963</u>	<u>\$ 1,672,481</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 106,304	\$ 144,334
Accrued expenses	<u>18,020</u>	<u>9,436</u>
Total Liabilities	<u>124,324</u>	<u>153,770</u>
Net Assets		
Unrestricted	485,111	525,197
Temporarily restricted - Note 4	<u>697,528</u>	<u>993,514</u>
Total Net Assets	<u>1,182,639</u>	<u>1,518,711</u>
Total Liabilities and Net Assets	<u>\$ 1,306,963</u>	<u>\$ 1,672,481</u>

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

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Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Government grant revenue	\$ 16,804	\$ -	\$ 16,804
Contributions	415,826	15,000	430,826
Special event fundraising	159,790	-	159,790
Consulting and other income	37,054	-	37,054
Interest income	9,780	-	9,780
	<u>639,254</u>	<u>15,000</u>	<u>654,254</u>
Net Assets Released From Restrictions	<u>310,986</u>	<u>(310,986)</u>	<u>-</u>
Total Support and Revenue	<u>950,240</u>	<u>(295,986)</u>	<u>654,254</u>
Expenses			
Program services	643,523	-	643,523
Fundraising	187,285	-	187,285
Administration	159,518	-	159,518
	<u>990,326</u>	<u>-</u>	<u>990,326</u>
Total Decrease in Net Assets	<u>(40,086)</u>	<u>(295,986)</u>	<u>(336,072)</u>
Net Assets - Beginning of year	<u>525,197</u>	<u>993,514</u>	<u>1,518,711</u>
Net Assets - End of year	<u>\$ 485,111</u>	<u>\$ 697,528</u>	<u>\$ 1,182,639</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 Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
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>
Net Assets Released From Restrictions	<u>1,268,663</u>	<u>(1,268,663)</u>	<u>-</u>
Total Support and Revenue	<u>2,028,488</u>	<u>(368,663)</u>	<u>1,659,825</u>
Expenses			
Program services	1,659,402	-	1,659,402
Fundraising	210,314	-	210,314
Administration	171,113	-	171,113
Total Expenses	<u>2,040,829</u>	<u>-</u>	<u>2,040,829</u>
Total Decrease in Net Assets	(12,341)	(368,663)	(381,004)
Net Assets - Beginning of year	<u>537,538</u>	<u>1,362,177</u>	<u>1,899,715</u>
Net Assets - End of year	<u>\$ 525,197</u>	<u>\$ 993,514</u>	<u>\$ 1,518,711</u>

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

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Statement of Functional Expenses

For the Year Ended December 31, 2009

	<u>Program Services</u>	<u>Administration and Fundraising</u>	<u>Total</u>
Grants, awards and commissions	\$ 225,886	\$ -	\$ 225,886
Other programmatic costs	114,825	132,767	247,592
Salaries	204,925	125,067	329,992
Employee benefits	30,358	11,844	42,202
Employer payroll taxes	14,901	10,830	25,731
Contract services	6,000	30,475	36,475
Facilities and equipment	13,285	7,725	21,010
Rent	17,388	10,212	27,600
Operations	7,616	13,409	21,025
Marketing	1,149	675	1,824
Insurance	5,168	3,035	8,203
Travel and meetings	482	298	780
Other	1,540	466	2,006
Total Expenses	<u>\$ 643,523</u>	<u>\$ 346,803</u>	<u>\$ 990,326</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 Services</u>	<u>Administration 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
Total Expenses	<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

Statements of Cash Flows

For the Years Ended December 31	2009	2008
Cash Provided by (Used for) Operating Activities		
Total decrease in net assets	\$ (336,072)	\$ (381,004)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	6,737	5,471
Changes in		
Pledges receivable	65,110	(289,231)
Accounts payable and accrued expenses	(29,446)	43,212
Net Cash Used for Operating Activities	(293,671)	(621,552)
Cash Used for Investing Activities		
Purchase of equipment	(4,617)	(5,518)
Net Decrease in Cash and Cash Equivalents	(298,288)	(627,070)
Cash and Cash Equivalents - Beginning of year	990,019	1,617,089
Cash and Cash Equivalents - End of year	\$ 691,731	\$ 990,019

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 (the Organization) is a private, not-for-profit organization that supports innovative ideas and grassroots community projects that are catalyzing change in Pittsburgh. The Organization 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 Organization 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 Organization'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 Organization 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 of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

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.

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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.

Two donors accounted for approximately 42% of the Organization's support and revenue in 2009 and approximately 79% in 2008.

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. Pledges receivable are reflected in Note 2. No allowance was considered to be necessary.

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 of the Organization's lease.

H. Recently Issued Accounting Standards

On September 15, 2009, the Financial Accounting Standards Board's Accounting Standards Codification (Codification) became the single source of authoritative generally accepted accounting principles in the United States of America. The Codification changed the referencing of financial standards but did not change or alter existing generally accepted accounting principles in the United States of America. The Codification became effective for the Organization at that date.

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Notes to the Financial Statements (Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

H. Recently Issued Accounting Standards (Continued)

The Organization adopted the accounting standard for uncertain tax positions as of January 1, 2009. The standard requires a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. The adoption of the standard on uncertain tax positions did not have a material impact on the Organization's financial statements at December 31, 2009.

I. Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 29, 2010, the day the financial statements were approved and authorized for issue.

Note 2 - Pledges Receivable

Pledges receivable consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Public Art Program	\$ 15,000	\$ 60,000
Spark Program	550,000	550,000
Community Connections Operations	-	27,500
	<u>30,072</u>	<u>22,682</u>
Total pledges receivable	<u>\$595,072</u>	<u>\$660,182</u>

Approximately \$320,000 of the receivables is expected to be collected within one year, and the remainder in 2011. There were no conditional promises outstanding as of December 31, 2009 and 2008.

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Notes to the Financial Statements (Continued)

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 23,056	\$ 23,056
Equipment	4,617	-
Computers	2,975	2,975
Furniture and fixtures	<u>2,543</u>	<u>2,543</u>
	33,191	28,574
Less: Accumulated depreciation	<u>13,031</u>	<u>6,294</u>
Property and equipment - net of accumulated depreciation	<u>\$ 20,160</u>	<u>\$ 22,280</u>

Note 4 - Restrictions on Net Assets

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

	<u>2009</u>	<u>2008</u>
Spark Program	\$ 682,528	\$ 870,118
Public Art Program	15,000	50,000
Community Connections	<u>-</u>	<u>73,396</u>
Total restrictions on net assets	<u>\$ 697,528</u>	<u>\$ 993,514</u>

Total assets released from donor restrictions by satisfying the restricted purposes were as follows:

	<u>2009</u>	<u>2008</u>
Spark Program	\$ 187,590	\$ 29,882
Community Connections	73,396	1,138,781
Public Art Program	50,000	50,000
Time	<u>-</u>	<u>50,000</u>
Total	<u>\$ 310,986</u>	<u>\$ 1,268,663</u>

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Notes to the Financial Statements (Continued)

Note 5 - Lease Obligation

The Organization 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 2009 and 2008.

Note 6 - Related Parties

Certain event design, production and installation services were provided by a company, whose owner is an immediate family member of an officer of the Organization. Charges paid to this company totaled approximately \$27,000 in 2009 and \$19,000 in 2008.