

THE SPROUT FUND

Financial Statements

December 31, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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

June 19, 2012

THE SPROUT FUND

Statements of Financial Position

December 31	2010	2009
ASSETS		
Cash and cash equivalents	\$ 879,299	\$ 691,731
Pledges receivable - Note 2	414,511	595,072
Property and equipment - net - Note 3	<u>15,720</u>	<u>20,160</u>
Total Assets	<u>\$ 1,309,530</u>	<u>\$ 1,306,963</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 303,186	\$ 94,100
Accounts payable	22,184	12,204
Accrued expenses	<u>34,430</u>	<u>18,020</u>
Total Liabilities	<u>359,800</u>	<u>124,324</u>
Net Assets		
Unrestricted	436,463	485,111
Temporarily restricted - Note 4	<u>513,267</u>	<u>697,528</u>
Total Net Assets	<u>949,730</u>	<u>1,182,639</u>
Total Liabilities and Net Assets	<u>\$ 1,309,530</u>	<u>\$ 1,306,963</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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Government grant revenue	\$ 13,906	\$ -	\$ 13,906
Contributions	816,626	99,351	915,977
Special event fundraising	117,021	-	117,021
Other income	385	-	385
Interest income	2,889	-	2,889
	<u>950,827</u>	<u>99,351</u>	<u>1,050,178</u>
Net Assets Released From Restrictions	<u>283,612</u>	<u>(283,612)</u>	<u>-</u>
Total Support and Revenue	<u>1,234,439</u>	<u>(184,261)</u>	<u>1,050,178</u>
Expenses			
Program services	920,935	-	920,935
Fundraising	219,937	-	219,937
Administration	142,215	-	142,215
	<u>1,283,087</u>	<u>-</u>	<u>1,283,087</u>
Total Decrease in Net Assets	<u>(48,648)</u>	<u>(184,261)</u>	<u>(232,909)</u>
Net Assets - Beginning of year	<u>485,111</u>	<u>697,528</u>	<u>1,182,639</u>
Net Assets - End of year	<u>\$ 436,463</u>	<u>\$ 513,267</u>	<u>\$ 949,730</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, 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 Expenses	<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.

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Statement of Functional Expenses

For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Administration and Fundraising</u>	<u>Total</u>
Grants, awards and commissions	\$ 522,342	\$ -	\$ 522,342
Other programmatic costs	84,161	134,026	218,187
Salaries	209,996	142,111	352,107
Employee benefits	26,088	11,837	37,925
Employer payroll taxes	17,835	10,164	27,999
Contract services	-	21,736	21,736
Facilities and equipment	15,264	5,790	21,054
Rent	20,010	7,590	27,600
Operations	8,444	21,831	30,275
Marketing	7,338	2,783	10,121
Insurance	6,252	2,372	8,624
Travel and meetings	2,257	1,189	3,446
Other	948	723	1,671
Total Expenses	<u>\$ 920,935</u>	<u>\$ 362,152</u>	<u>\$ 1,283,087</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

Statements of Cash Flows

For the Years Ended December 31	2010	2009
Cash Provided by (Used for) Operating Activities		
Total decrease in net assets	\$ (232,909)	\$ (336,072)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	7,473	6,737
Changes in		
Pledges receivable	180,561	65,110
Accounts payable and accrued expenses	<u>235,476</u>	<u>(29,446)</u>
Net Cash Provided by (Used for) Operating Activities	190,601	(293,671)
Cash Used for Investing Activities		
Purchase of equipment	<u>(3,033)</u>	<u>(4,617)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	187,568	(298,288)
Cash and Cash Equivalents - Beginning of year	<u>691,731</u>	<u>990,019</u>
Cash and Cash Equivalents - End of year	<u>\$ 879,299</u>	<u>\$ 691,731</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 (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 accounting principles generally accepted in the United States of America 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

Governmental grant revenue is recognized when earned, which is typically at the time the costs associated with the grant are incurred.

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 57% of the Organization's support and revenue in 2010 and approximately 42% in 2009.

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.

One donor accounted for approximately 66% of the Organization's pledges receivable at December 31, 2010 and approximately 92% at December 31, 2009.

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. Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform with the 2010 presentation.

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Notes to the Financial Statements (Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 19, 2012, 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>2010</u>	<u>2009</u>
Spark Program	\$275,000	\$550,000
Spring Program	75,000	-
Operations	64,511	30,072
Public Art Program	<u>-</u>	<u>15,000</u>
Total pledges receivable	<u>\$414,511</u>	<u>\$595,072</u>

At December 31, 2010, all of the outstanding balances in pledges receivable are expected to be collected during 2011. There were no conditional promises outstanding as of December 31, 2010 and 2009.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 23,056	\$ 23,056
Equipment	4,617	4,617
Computers	6,008	2,975
Furniture and fixtures	<u>2,543</u>	<u>2,543</u>
	36,224	33,191
Less: Accumulated depreciation	<u>20,504</u>	<u>13,031</u>
Property and equipment - net of accumulated depreciation	<u>\$ 15,720</u>	<u>\$ 20,160</u>

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Notes to the Financial Statements (Continued)

Note 4 - Restrictions on Net Assets

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

	<u>2010</u>	<u>2009</u>
Spark Program	\$413,916	\$682,528
Spring Program	72,351	-
Seed Program	27,000	-
Public Art Program	<u>-</u>	<u>15,000</u>
Total restrictions on net assets	<u>\$513,267</u>	<u>\$697,528</u>

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

	<u>2010</u>	<u>2009</u>
Spark Program	\$268,612	\$187,590
Community Connections	-	73,396
Public Art Program	<u>15,000</u>	<u>50,000</u>
Total	<u>\$283,612</u>	<u>\$310,986</u>

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 2010 and 2009.

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 \$30,000 in 2010 and \$27,000 in 2009.