

November 14, 2012

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

We have audited the financial statements of The Sprout Fund (the Organization) for the year ended December 31, 2011, and have issued our report thereon dated November 14, 2012. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

### ***Significant Audit Findings***

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The misstatements noted on Attachment A were detected as a result of audit procedures and were corrected by management.

### ***Disagreements With Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 14, 2012.

### ***Management Consultations With Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of The Sprout Fund, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "ALPERN ROSENTHAL". The letters are written in a cursive, slightly slanted style.

Alpern Rosenthal

**THE SPROUT FUND**

**Financial Statements**

**December 31, 2011 and 2010**

# THE SPROUT FUND

## Financial Statements

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December 31, 2011 and 2010

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### TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 13

## 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, 2011 and 2010, 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, 2011 and 2010, 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.



November 14, 2012

# THE SPROUT FUND

## Statements of Financial Position

<u>December 31</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,065,412	\$ 879,299
Pledges receivable - Note 2	758,841	414,511
Property and equipment - net - Note 3	<u>8,147</u>	<u>15,720</u>
<b>Total Assets</b>	<b><u>\$ 1,832,400</u></b>	<b><u>\$ 1,309,530</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Grants payable	\$ 133,435	\$ 303,186
Accounts payable	55,959	22,184
Accrued expenses	<u>11,671</u>	<u>34,430</u>
<b>Total Liabilities</b>	<b><u>201,065</u></b>	<b><u>359,800</u></b>
<b>Net Assets</b>		
Unrestricted	369,242	436,463
Temporarily restricted - Note 4	<u>1,262,093</u>	<u>513,267</u>
<b>Total Net Assets</b>	<b><u>1,631,335</u></b>	<b><u>949,730</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,832,400</u></b>	<b><u>\$ 1,309,530</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, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Government grant revenue	\$ 19,156	\$ -	\$ 19,156
Contributions	244,046	1,542,500	1,786,546
Special events fundraising gross receipts	27,280	-	27,280
Less: Direct costs of fundraising	49,008	-	49,008
Net special events and fundraising	<u>(21,728)</u>	<u>-</u>	<u>(21,728)</u>
Other income	1,315	-	1,315
Interest income	<u>2,481</u>	<u>-</u>	<u>2,481</u>
	245,270	1,542,500	1,787,770
<b>Net Assets Released From Restrictions</b>	<u>793,674</u>	<u>(793,674)</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>1,038,944</u>	<u>748,826</u>	<u>1,787,770</u>
<b>Expenses</b>			
Program services	869,203	-	869,203
Fundraising	93,701	-	93,701
Administration	<u>143,261</u>	<u>-</u>	<u>143,261</u>
<b>Total Expenses</b>	<u>1,106,165</u>	<u>-</u>	<u>1,106,165</u>
<b>Total Increase (Decrease) in Net Assets</b>	(67,221)	748,826	681,605
<b>Net Assets - Beginning of year</b>	<u>436,463</u>	<u>513,267</u>	<u>949,730</u>
<b>Net Assets - End of year</b>	<u>\$ 369,242</u>	<u>\$ 1,262,093</u>	<u>\$ 1,631,335</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>
<b>Support and Revenue</b>			
Government grant revenue	\$ 13,906	\$ -	\$ 13,906
Contributions	816,626	99,351	915,977
Special events fundraising gross receipts	117,021	-	117,021
Less: Direct costs of fundraising	107,214	-	107,214
Net special events and fundraising	<u>9,807</u>	<u>-</u>	<u>9,807</u>
Other income	385	-	385
Interest income	<u>2,889</u>	<u>-</u>	<u>2,889</u>
	843,613	99,351	942,964
<b>Net Assets Released From Restrictions</b>	<u>283,612</u>	<u>(283,612)</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>1,127,225</u>	<u>(184,261)</u>	<u>942,964</u>
<b>Expenses</b>			
Program services	920,935	-	920,935
Fundraising	112,723	-	112,723
Administration	<u>142,215</u>	<u>-</u>	<u>142,215</u>
<b>Total Expenses</b>	<u>1,175,873</u>	<u>-</u>	<u>1,175,873</u>
<b>Total Decrease in Net Assets</b>	(48,648)	(184,261)	(232,909)
<b>Net Assets - Beginning of year</b>	<u>485,111</u>	<u>697,528</u>	<u>1,182,639</u>
<b>Net Assets - End of year</b>	<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 Functional Expenses

For the Year Ended December 31, 2011

	<u>Program Services</u>	<u>Administration and Fundraising</u>	<u>Total</u>
Grants, awards and commissions	\$ 456,238	\$ -	\$ 456,238
Other programmatic costs	86,183	23,104	109,287
Salaries	226,531	126,104	352,635
Employee benefits	28,535	9,933	38,468
Employer payroll taxes	16,888	11,872	28,760
Contract services	-	35,250	35,250
Facilities and equipment	15,117	4,019	19,136
Rent	21,804	5,796	27,600
Operations	7,082	18,123	25,205
Marketing	746	198	944
Insurance	6,303	1,675	7,978
Travel and meetings	2,648	655	3,303
Other	1,128	233	1,361
<b>Total Expenses</b>	<u>\$ 869,203</u>	<u>\$ 236,962</u>	<u>\$ 1,106,165</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, 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	26,812	110,973
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
<b>Total Expenses</b>	<u>\$ 920,935</u>	<u>\$ 254,938</u>	<u>\$ 1,175,873</u>

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

# THE SPROUT FUND

## Statements of Cash Flows

<b>For the Years Ended December 31</b>	<b>2011</b>	<b>2010</b>
<b>Cash Provided by (Used for) Operating Activities</b>		
Total increase (decrease) in net assets	\$ 681,605	\$ (232,909)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,573	7,473
Changes in		
Pledges receivable	(344,330)	180,561
Accounts payable and accrued expenses	<u>(158,735)</u>	<u>235,476</u>
<b>Net Cash Provided by Operating Activities</b>	<b>186,113</b>	<b>190,601</b>
<b>Cash Used for Investing Activities</b>		
Purchase of equipment	<u>-</u>	<u>(3,033)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>186,113</b>	<b>187,568</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b><u>879,299</u></b>	<b><u>691,731</u></b>
<b>Cash and Cash Equivalents - End of year</b>	<b><u><u>\$ 1,065,412</u></u></b>	<b><u><u>\$ 879,299</u></u></b>

*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.

#### 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.

## THE SPROUT FUND

### 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 62% of the Organization's support and revenue in 2011 and approximately 57% in 2010.

##### 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 79% of the Organization's pledges receivable at December 31, 2011 and approximately 66% at December 31, 2010.

##### G. Property and Equipment

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. The Organization's policy is to capitalize property and equipment purchases greater than \$500 with a useful life greater than one year.

## THE SPROUT FUND

### Notes to the Financial Statements (Continued)

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

##### H. Income Taxes

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

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken a position that is uncertain. An uncertain position is defined as one in which there is a 50% or greater likelihood that the position will not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2011, there are no uncertain tax positions taken or expected to be taken. The Organization has recognized no interest or penalties related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2008.

##### I. Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform with the 2011 presentation.

##### J. Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 14, 2012, the day the financial statements were approved and authorized for issue.

## THE SPROUT FUND

### Notes to the Financial Statements (Continued)

#### Note 2 - Pledges Receivable

Pledges receivable consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Spark Program	\$650,000	\$275,000
Spring Program	-	75,000
Seed Program	15,000	-
Operations	<u>93,841</u>	<u>64,511</u>
Total pledges receivable	<u>\$758,841</u>	<u>\$414,511</u>

At December 31, 2011, outstanding balances in pledges receivable totaling \$158,841 are expected to be collected during 2012 and \$600,000 is expected to be collected in two to five years. There were no conditional promises outstanding as of December 31, 2011 and 2010.

#### Note 3 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 23,056	\$ 23,056
Equipment	4,617	4,617
Computers	6,008	6,008
Furniture and fixtures	<u>2,543</u>	<u>2,543</u>
	36,224	36,224
Less: Accumulated depreciation	<u>28,077</u>	<u>20,504</u>
Property and equipment - net of accumulated depreciation	<u>\$ 8,147</u>	<u>\$ 15,720</u>



## THE SPROUT FUND

### 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>2011</u>	<u>2010</u>
Seed Program	\$ 63,743	\$ 27,000
Spring Program	21,631	72,351
Spark 1.0 Program	17,944	413,916
Spark 2.0 Program	1,012,627	-
Public Art Program	121,148	-
Future Operations	<u>25,000</u>	<u>-</u>
Total restrictions on net assets	<u>\$1,262,093</u>	<u>\$ 513,267</u>

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

	<u>2011</u>	<u>2010</u>
Seed Program	\$ 218,257	\$ -
Spring Program	50,720	-
Spark 1.0 Program	395,972	268,612
Spark 2.0 Program	37,373	-
Public Art Program	71,352	15,000
Future Operations	<u>20,000</u>	<u>-</u>
Total	<u>\$ 793,674</u>	<u>\$ 283,612</u>

#### Note 5 - Lease Obligation

The Organization occupies facilities under a lease agreement, which was renewed in June, 2012 and expires in June, 2014. The new lease requires minimum annual rents of \$31,750. Total rent expense was approximately \$28,000 in 2011 and 2010.

#### 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 \$21,000 in 2011 and \$30,000 in 2010.