

THE SPROUT FUND

Financial Statements

December 31, 2012 and 2011

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Independent Auditors' Report

To the Board of Directors
The Sprout Fund
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of The Sprout Fund (a not-for-profit corporation) as of December 31, 2012 and 2011, which comprise the statements of financial position and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "ALDERN ROSENTHAL". The letters are in all caps and have a cursive, slightly slanted appearance.

February 21, 2014

THE SPROUT FUND

Statements of Financial Position

December 31	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,246,210	\$ 1,065,412
Pledges receivable - Note 2	1,009,916	758,841
Property and equipment - net - Note 3	<u>10,215</u>	<u>8,147</u>
Total Assets	<u>\$ 2,266,341</u>	<u>\$ 1,832,400</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 332,880	\$ 133,435
Accounts payable	37,733	55,959
Accrued expenses	<u>13,189</u>	<u>11,671</u>
Total Liabilities	<u>383,802</u>	<u>201,065</u>
Net Assets		
Unrestricted	398,068	369,242
Temporarily restricted - Note 4	<u>1,484,471</u>	<u>1,262,093</u>
Total Net Assets	<u>1,882,539</u>	<u>1,631,335</u>
Total Liabilities and Net Assets	<u>\$ 2,266,341</u>	<u>\$ 1,832,400</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, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and Revenue			
Government grant revenue	\$ 8,160	\$ 9,500	\$ 17,660
Contributions	101,637	1,460,000	1,561,637
Other income	10,415	-	10,415
Interest income	1,965	-	1,965
	<u>122,177</u>	<u>1,469,500</u>	<u>1,591,677</u>
Net Assets Released From Restrictions	<u>1,247,122</u>	<u>(1,247,122)</u>	<u>-</u>
Total Support and Revenue	<u>1,369,299</u>	<u>222,378</u>	<u>1,591,677</u>
Expenses			
Program services	1,127,015	-	1,127,015
Fundraising	99,278	-	99,278
Administration	114,180	-	114,180
Total Expenses	<u>1,340,473</u>	<u>-</u>	<u>1,340,473</u>
Total Increase in Net Assets	28,826	222,378	251,204
Net Assets - Beginning of year	<u>369,242</u>	<u>1,262,093</u>	<u>1,631,335</u>
Net Assets - End of year	<u>\$ 398,068</u>	<u>\$ 1,484,471</u>	<u>\$ 1,882,539</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, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
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
Net Assets Released From Restrictions	<u>793,674</u>	<u>(793,674)</u>	<u>-</u>
Total Support and Revenue	<u>1,038,944</u>	<u>748,826</u>	<u>1,787,770</u>
Expenses			
Program services	869,203	-	869,203
Fundraising	93,701	-	93,701
Administration	<u>143,261</u>	<u>-</u>	<u>143,261</u>
Total Expenses	<u>1,106,165</u>	<u>-</u>	<u>1,106,165</u>
Total Increase (Decrease) in Net Assets	(67,221)	748,826	681,605
Net Assets - Beginning of year	<u>436,463</u>	<u>513,267</u>	<u>949,730</u>
Net Assets - End of year	<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.

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Statement of Functional Expenses

For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>Administration and Fundraising</u>	<u>Total</u>
Grants, awards and commissions	\$ 493,033	\$ -	\$ 493,033
Other programmatic costs	175,812	2,320	178,132
Salaries	278,866	132,104	410,970
Employee benefits	30,709	8,986	39,695
Employer payroll taxes	27,316	12,179	39,495
Contract services	32,108	22,777	54,885
Facilities and equipment	19,835	5,878	25,713
Rent	25,194	7,465	32,659
Operations	13,670	18,854	32,524
Marketing	2,090	620	2,710
Insurance	6,118	1,813	7,931
Travel and meetings	22,264	462	22,726
Total Expenses	<u>\$ 1,127,015</u>	<u>\$ 213,458</u>	<u>\$ 1,340,473</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
Total Expenses	<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

Statements of Cash Flows

For the Years Ended December 31	2012	2011
Cash Provided by (Used for) Operating Activities		
Total increase in net assets	\$ 251,204	\$ 681,605
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,397	7,573
Changes in		
Pledges receivable	(251,075)	(344,330)
Accounts payable and accrued expenses	<u>182,737</u>	<u>(158,735)</u>
Net Cash Provided by Operating Activities	190,263	186,113
Cash Used for Investing Activities		
Purchase of equipment	<u>(9,465)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	180,798	186,113
Cash and Cash Equivalents - Beginning of year	<u>1,065,412</u>	<u>879,299</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,246,210</u></u>	<u><u>\$ 1,065,412</u></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.

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 51% of the Organization's support and revenue in 2012 and approximately 62% in 2011.

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.

Two donors accounted for approximately 79% of the Organization's pledges receivable at December 31, 2012. One donor accounted for approximately 79% of the Organization's pledges receivable at December 31, 2011.

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 \$2,500 with a useful life greater than one year.

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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, 2012, 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 2009.

I. Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 21, 2014, 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>2012</u>	<u>2011</u>
Learning Innovation Programs	\$ 800,000	\$ 650,000
Seed Program	150,000	15,000
Operations	<u>59,916</u>	<u>93,841</u>
Total pledges receivable	<u>\$1,009,916</u>	<u>\$ 758,841</u>

At December 31, 2012, outstanding balances in pledges receivable totaling \$556,303 are expected to be collected during 2013 and \$455,000 is expected to be collected in two to five years. There were no conditional promises outstanding as of December 31, 2012 and 2011.

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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>2012</u>	<u>2011</u>
Leasehold improvements	\$ 23,056	\$ 23,056
Equipment	4,617	4,617
Computers	15,474	6,008
Furniture and fixtures	<u>2,543</u>	<u>2,543</u>
	45,690	36,224
Less: Accumulated depreciation	<u>35,475</u>	<u>28,077</u>
Property and equipment - net of accumulated depreciation	<u>\$ 10,215</u>	<u>\$ 8,147</u>

Note 4 - Restrictions on Net Assets

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

	<u>2012</u>	<u>2011</u>
Seed Program	\$ 195,769	\$ 63,743
Spring Program	-	21,631
Spark Program (2009 - 2011)	-	17,944
Learning Innovation Programs	1,234,909	1,012,627
Public Art Program	43,793	121,148
Future Operations	<u>10,000</u>	<u>25,000</u>
Total restrictions on net assets	<u>\$1,484,471</u>	<u>\$1,262,093</u>

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

	<u>2012</u>	<u>2011</u>
Seed Program	\$ 367,974	\$ 218,257
Spring Program	21,631	50,720
Spark Program (2009 - 2011)	17,944	395,972
Learning Innovation Programs	727,718	37,373
Public Art Program	96,855	71,352
Future Operations	<u>15,000</u>	<u>20,000</u>
Total	<u>\$1,247,122</u>	<u>\$ 793,674</u>

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Notes to the Financial Statements (Continued)

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 \$33,000 in 2012 and \$28,000 in 2011.

Note 6 - Related Parties

In 2011, 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. There were no related party transactions in 2012.