



THE SPROUT FUND

Financial Statements

December 31, 2013 and 2012

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



THE SPROUT FUND
Financial Statements

December 31, 2013 and 2012

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Independent Auditor's 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, 2013, 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 year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

Auditor's 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2012 financial statements of The Sprout Fund were audited Alpern Rosenthal, whose partners and professional staff joined BDO USA, LLP effective December 16, 2013 and has subsequently ceased operations. Alpern Rosenthal's report dated February 21, 2014 expressed an unmodified opinion on those financial statements.

BDO USA, LLP
Pittsburgh, Pennsylvania

March 13, 2015

THE SPROUT FUND

Statements of Financial Position

December 31	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,950,852	\$ 1,246,210
Pledges receivable - Note 2	116,522	1,009,916
Property and equipment - net - Note 3	<u>6,174</u>	<u>10,215</u>
Total Assets	<u>\$ 2,073,548</u>	<u>\$ 2,266,341</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 243,500	\$ 332,880
Accounts payable	55,429	37,733
Accrued expenses	<u>11,221</u>	<u>13,189</u>
Total Liabilities	<u>310,150</u>	<u>383,802</u>
Net Assets		
Unrestricted	402,379	398,068
Temporarily restricted - Note 4	<u>1,361,019</u>	<u>1,484,471</u>
Total Net Assets	<u>1,763,398</u>	<u>1,882,539</u>
Total Liabilities and Net Assets	<u>\$ 2,073,548</u>	<u>\$ 2,266,341</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Government grant revenue	\$ 7,848	\$ 9,500	\$ 17,348
Contributions	99,221	1,295,000	1,394,221
Other income	4,469	-	4,469
Interest income	1,779	-	1,779
	<u>113,317</u>	<u>1,304,500</u>	<u>1,417,817</u>
Net Assets Released From Restrictions	<u>1,427,952</u>	<u>(1,427,952)</u>	<u>-</u>
Total Support and Revenue	<u>1,541,269</u>	<u>(123,452)</u>	<u>1,417,817</u>
Expenses			
Program services	1,239,928	-	1,239,928
Fundraising	117,003	-	117,003
Administration	180,027	-	180,027
	<u>1,536,958</u>	<u>-</u>	<u>1,536,958</u>
Total Increase (Decrease) in Net Assets	4,311	(123,452)	(119,141)
Net Assets - Beginning of year	<u>398,068</u>	<u>1,484,471</u>	<u>1,882,539</u>
Net Assets - End of year	<u><u>\$ 402,379</u></u>	<u><u>\$ 1,361,019</u></u>	<u><u>\$ 1,763,398</u></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, 2012

	<u>Unrestricted</u>	<u>Temporarily 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.

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Statement of Functional Expenses

For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>Administration and Fundraising</u>	<u>Total</u>
Grants, awards and commissions	\$ 504,435	\$ -	\$ 504,435
Other programmatic costs	199,264	13,306	212,570
Salaries	332,157	178,103	510,260
Employee benefits	41,678	14,685	56,363
Employer payroll taxes	29,448	14,926	44,374
Contract services	2,346	27,308	29,654
Facilities and equipment	21,373	7,869	29,242
Rent	23,495	8,246	31,741
Operations	16,729	28,026	44,755
Marketing	3,643	1,701	5,344
Insurance	6,008	2,108	8,116
Travel and meetings	59,352	752	60,104
Total Expenses	<u>\$ 1,239,928</u>	<u>\$ 297,030</u>	<u>\$ 1,536,958</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, 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
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 1,127,015	\$ 213,458	\$ 1,340,473

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

THE SPROUT FUND

Statements of Cash Flows

For the Years Ended December 31	2013	2012
Cash Provided by (Used for) Operating Activities		
Total increase (decrease) in net assets	\$ (119,141)	\$ 251,204
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,215	7,397
Changes in		
Pledges receivable	893,394	(251,075)
Accounts payable and accrued expenses	<u>(73,652)</u>	<u>182,737</u>
Net Cash Provided by Operating Activities	705,816	190,263
Cash Used for Investing Activities		
Purchase of equipment	<u>(1,174)</u>	<u>(9,465)</u>
Net Increase in Cash and Cash Equivalents	704,642	180,798
Cash and Cash Equivalents - Beginning of year	<u>1,246,210</u>	<u>1,065,412</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,950,852</u></u>	<u><u>\$ 1,246,210</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.

One donor accounted for approximately 50% of the Organization's support and revenue in 2013. Two donors accounted for approximately 51% of the Organization's support and revenue in 2012.

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 64% of the Organization's pledges receivable at December 31, 2013. Two donors accounted for approximately 79% of the Organization's pledges receivable at December 31, 2012.

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.

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, 2013, 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 2010.

I. Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 13, 2015, 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>2013</u>	<u>2012</u>
Learning Innovation Programs	\$ 75,000	\$ 800,000
Seed Program	-	150,000
Operations	<u>41,522</u>	<u>59,916</u>
Total pledges receivable	<u>\$ 116,522</u>	<u>\$1,009,916</u>

At December 31, 2013, outstanding balances in pledges receivable totaling \$111,522 are expected to be collected during 2014 and \$5,000 is expected to be collected in two to five years. There were no conditional promises outstanding as of December 31, 2013 and 2012.

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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>2013</u>	<u>2012</u>
Leasehold improvements	\$ 23,056	\$ 23,056
Equipment	4,783	4,617
Computers	16,483	15,474
Furniture and fixtures	<u>2,543</u>	<u>2,543</u>
	46,865	45,690
Less: Accumulated depreciation	<u>40,691</u>	<u>35,475</u>
Property and equipment - net of accumulated depreciation	<u>\$ 6,174</u>	<u>\$ 10,215</u>

Note 4 - Restrictions on Net Assets

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

	<u>2013</u>	<u>2012</u>
Seed Program	\$ 67,406	\$ 195,769
Learning Innovation Programs	1,283,613	1,234,909
Public Art Program	-	43,793
Future operations	<u>10,000</u>	<u>10,000</u>
Total restrictions on net assets	<u>\$1,361,019</u>	<u>\$1,484,471</u>

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

	<u>2013</u>	<u>2012</u>
Seed Program	\$ 403,363	\$ 367,974
Spring Program	-	21,631
Spark Program (2009 - 2011)	-	17,944
Learning Innovation Programs	986,296	727,718
Public Art Program	38,293	96,855
Future operations	<u>-</u>	<u>15,000</u>
Total	<u>\$1,427,952</u>	<u>\$1,247,122</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 July 2014 and expires in June 2015. The new lease requires minimum annual rents of \$33,540. Total rent expense was approximately \$32,000 in 2013 and \$33,000 in 2012.