THE SPROUT FUND
Pittsburgh, Pennsylvania

Financial Statements
December 31, 2016 and 2015

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Sprout Fund
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Sprout Fund (Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 audits 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.

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 Organization as of December 31, 2016 and 2015, 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
November 13, 2017

THE SPROUT FUND

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Cash and cash equivalents	$ 1,286,177	$ 1,441,594
Accounts and pledges receivable, net	168,688	686,059
Other assets	-	9,835
Total Assets	$ 1,454,865	$ 2,137,488
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	$ 139,003	$ 403,028
Accounts payable	79,872	84,786
Accrued expenses	14,287	15,234
Total Liabilities	233,162	503,048
NET ASSETS		
Unrestricted	840,529	633,247
Temporarily Restricted	381,174	1,001,193
Total Net Assets	1,221,703	1,634,440
Total Liabilities and Net Assets	$ 1,454,865	$ 2,137,488

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Government grant revenue	$ 8,272	-	$ 8,272
Contributions	140,028	$ 1,029,500	1,169,528
Consulting fees	473,749	-	473,749
Other income	308	-	308
Interest income	1,793	-	1,793
	624,150	1,029,500	1,653,650
Net assets released from restrictions	1,649,519	(1,649,519)	-
Total Support and Revenue	2,273,669	(620,019)	1,653,650
EXPENSES			
Program services	1,808,736	-	1,808,736
Fundraising	138,304	-	138,304
Administration	119,347	-	119,347
	2,066,387	-	2,066,387
Increase (Decrease) in Net Assets	207,282	(620,019)	(412,737)
NET ASSETS			
Beginning of year	633,247	1,001,193	1,634,440
End of year	$ 840,529	$ 381,174	$ 1,221,703

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	$ 60,991	$ 650,000	$ 710,991
Consulting fees	262,789		262,789
Other income	1,115	-	1,115
Interest income	2,481	-	2,481
	327,376	650,000	977,376
Net assets released from restrictions	2,544,977	(2,544,977)	-
Total Support and Revenue	2,872,353	(1,894,977)	977,376
EXPENSES			
Program services	2,444,095	-	2,444,095
Fundraising	143,631	-	143,631
Administration	118,458	-	118,458
Total Expenses	2,706,184	-	2,706,184
Increase (Decrease) in Net Assets	166,169	(1,894,977)	(1,728,808)
NET ASSETS			
Beginning of year	467,078	2,896,170	3,363,248
End of year	$ 633,247	$ 1,001,193	$ 1,634,440

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Administration and Fundraising	Total
EXPENSES			
Grants, awards and commissions	$ 725,608	-	$ 725,608
Other programmatic costs	338,443	$ 7,108	345,551
Salaries	473,908	147,445	621,353
Employee benefits	52,043	11,256	63,299
Employee payroll taxes	43,038	13,429	56,467
Contract services	3,445	41,189	44,634
Facilities and equipment	29,152	5,601	34,753
Rent	28,143	5,397	33,540
Operations	42,821	25,943	68,764
Travel and meetings	72,135	283	72,418
Total Expenses	$ 1,808,736	$ 257,651	$ 2,066,387

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Administration and Fundraising	Total
EXPENSES			
Grants, awards and commissions	$ 1,110,355	-	$ 1,110,355
Other programmatic costs	572,113	$ 12,072	584,185
Salaries	488,051	163,314	651,365
Employee benefits	54,151	14,349	68,500
Employee payroll taxes	45,738	14,562	60,300
Contract services	7,985	16,715	24,700
Facilities and equipment	25,161	6,234	31,395
Rent	26,340	7,200	33,540
Operations	47,252	26,987	74,239
Travel and meetings	66,949	656	67,605
Total Expenses	$ 2,444,095	$ 262,089	$ 2,706,184

See independent auditors' report and notes to the financal statements.

THE SPROUT FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (412,737)	$ (1,728,808)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	-	1,822
Changes in assets and liabilities:		
Pledges receivable	517,371	1,195,224
Other assets	9,835	(9,835)
Accounts payable and accrued expenses	(269,886)	258,028
Net Cash Used in Operating Activities / Net Decrease in Cash and Cash Equivalents	(155,417)	(283,569)
CASH AND CASH EQUIVALENTS		
Beginning of Year	1,441,594	1,725,163
End of Year	$ 1,286,177	$ 1,441,594

See independent auditors' report and notes to the financal statements.

NOTE 1 - 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

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.

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.

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. At times, the Organization's cash and cash equivalents might be in excess of the Federal Deposit Insurance Corporation insurance limits. The Organization does not believe that it is exposed to any significant credit risk on its cash and cash equivalents.

Revenue and Support - 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.

Four entities accounted for approximately 67% of the Organization's revenue and support in 2016. Three entities accounted for approximately 61% of the Organization's revenue and support in 2015.

Consulting fees represent contractual fees paid to the Organization from other not-for-profit organizations, for assistance with program development and implementation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There were no conditional promises to give as of December 31, 2016 and 2015. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. At December 31, 2016 and 2015, no allowance was considered to be necessary.

Two entities accounted for approximately 90% of the Organization’s pledges receivable at December 31, 2016 and approximately 83% of the Organization’s pledges receivable at December 31, 2015.

Property and Equipment - Property and equipment are 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 $7,500 with a useful life greater than one year. All property and equipment held by the Organization was fully depreciated as of December 31, 2016 and 2015.

Income Taxes - The Organization is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and is not a private foundation as provided by 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, 2016, 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 2013.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition. This new standard will replace all current accounting principles generally accepted in the United States of America guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued a deferral on the implementation date, and this guidance will be effective for the Organization beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization is currently evaluating the impact of adopting this new accounting guidance on its financial statements, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842) (ASU 2016-02), which is the result of a joint project of FASB and International Accounting Standards Board to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments require a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term initially measured at the present value of the lease payments. The lessee should also include payments to be made on an optional lease extension if the company is reasonably certain that the extension will be exercised when measuring the asset and liability. Companies will be permitted to make an accounting policy election to not recognize leases with a term of 12 months or less. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. The Organization is currently evaluating the impact of the adoption of this ASU on its financial statements.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This new ASU is intended to simplify and improve not-for-profit financial reporting.

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.

- Enhances disclosures for:

    - Self-imposed limits on the use of resources without donor-imposed restrictions
    - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
    - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the balance sheet date
    - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date
    - Methods used to allocate costs among program and support functions

- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.

- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.

- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset.)

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Subsequent Events - Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 13, 2017, the day the financial statements were approved and authorized for issuance.

NOTE 3 - ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable consist of the following at December 31:

	2016	2015
Learning Innovation Programs	$ 152,324	663,329
Community Innovation Programs	-	7,280
Operations	16,364	15,450
	$ 168,688	686,059

At December 31, 2016, all outstanding balances in accounts and pledges receivable totaling $168,688 are expected to be collected during 2017. There were no conditional promises outstanding as of December 31, 2016 and 2015.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Community Innovation Programs	$ 9,818	232,590
Learning Innovation Programs	371,356	768,603
	$ 381,174	1,001,193

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

	2016	2015
Community Innovation Programs	$ 422,771	493,650
Learning Innovation Programs	1,226,748	2,051,327
	$ 1,649,519	2,544,977

NOTE 5 - LEASE OBLIGATION

The Organization occupied facilities under a lease agreement that expired in September 2017. The Organization moved to a new facility in September 2017. Under the terms of the new agreement, the Organization shares office space for a monthly membership fee of $4,500 through August 2018. In addition, the Organization leases equipment under a lease agreement expiring in March 2019. These leases are treated as operating leases within the Organization's financial statements. Total rent expense was approximately $41,000 and $33,500 for the years ended December 31, 2016 and 2015, respectively.

Future commitments under these noncancelable leases at June 30 are as follows:

Fiscal Years Ending	Amount
2017	$ 33,000
2018	8,000
2019	2,000
	$ 43,000

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