

**Exhibit 1**  
**SPONSORSHIP MANUAL**

*Updated 2/19/14*

**Springboard Fiscal Sponsorship Program Manual**

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## About The Program

Springboard's Incubator program is designed to provide fiscal sponsorship and other services to small arts and cultural organizations founded by individual artists, as well as some projects of individual artists. Many of our projects' eventual goals include becoming their own separate tax-exempt organization, though many others just want a way to solicit funds for a single project or event. We have fiscally sponsored organizations with budgets as low as a few hundred dollars and as large as \$100,000+. We currently sponsor more than 200 projects.

In general, small, unincorporated groups founded and led by individual artists make up the majority of program participants, though many have taken the further step of incorporating as a nonprofit with the state of Minnesota.

## Eligibility

To qualify for the Springboard for the Arts Incubator program, individuals and organizations must:

- Have an arts-based mission
- Be based in Minnesota or producing a project in Minnesota
- Apply funds raised toward non-profit purposes. Funds should not be used for the purpose of influencing legislation, such as funding lobbying. (Note this references the use of the funds themselves and does not prevent a non-profit from doing general advocacy, either on behalf of their organization or of the arts in general.)
- Except in very specific cases, may not be organized in a for-profit business structure (LLC, LLP, S-Corp, etc.)

All potential applicants should fill out our short online questionnaire to confirm eligibility before applying: [www.springboardforthearts.org/incubator/eligibility-questionnaire](http://www.springboardforthearts.org/incubator/eligibility-questionnaire)

We strongly suggest that prospective Incubator projects set up a checking account in the organization's name. It will help your organization run more efficiently day-to-day and stay organized during tax season. (For more information on how to do this, see Vendors, Taxes, and Reimbursement on Page 7.)

## Creative Control and Intellectual Property

As long as they are in compliance with our federal tax-exempt status, Springboard does not influence the content or creative aspects of sponsored projects. Copyright and ownership of intellectual property remain with the artists, and in return they must indemnify Springboard from all related liability.

## Application Process

Through your application we want to get a sense of your programming, the size and scope of your project, where you are in the organizational process, and how your project is a mission fit with Springboard—acceptance into the program has little to do with relative size or level of experience.

Total time from application to approval is approximately 4-6 weeks. For fastest response time, submit applications before the 15<sup>th</sup> of each month. New applications are reviewed and

approved by a selection committee and are subject to approval by Springboard for the Arts Board of Directors.

### Program Fees

The fiscal sponsorship program is part of our charitable mission: Springboard’s fees do not fully cover the administrative costs.

\$95	Non-refundable application fee
\$95	Annual renewal fee for those who have been in the program 12 months or more
7%	Administrative fee from any funds that Springboard manages on your behalf
4.9%	Fee charged by GiveMN.org -- this fee applies to processing online donations via GiveMN.org only. Springboard defrays this cost by taking a 5% administration fee on GiveMN.org donations, which is calculated on the net amount.
0%	Springboard does not take an administrative percentage of the value of in-kind donations.

### Renewal

All Incubator projects must renew their agreement with Springboard annually. The date of renewal is based on the signing date of your most recent contract. You will receive email notification when it is time to renew, and will be given a few weeks to respond. The renewal is an important part of fiscal sponsor oversight, and allows us to check in with your project and to update your account information. We must close the accounts of any projects that do not renew within the timeline provided in their email notification. Renewal notices will be managed on a quarterly basis.

### Recommendations

To simplify the process of keeping track of your project’s income and expenses, we highly recommend setting up a checking account in your organization’s name that is separate from your personal checking account(s). Talk to your bank about setting up a DBA (Doing Business As) account that you maintain separately from your personal account(s).

If your organization is managing a significant amount of income and plans to eventually file to become a 501(c)(3), we recommend incorporating as a nonprofit with the state of Minnesota. Contact us at [incubator@springboardforthearts.org](mailto:incubator@springboardforthearts.org) if you need more information about the process of nonprofit incorporation.

## Soliciting Funds

### Donated Income vs. Earned Income

The only funds that legally must come through a fiscal sponsor are donations, grants, or other funds that are tax-deductible. If your organization has non-donated income (from things like ticket sales, performances or workshops) it is called “earned income,” and does not need to come through Springboard. Many organizations we sponsor run all of their income through

Springboard to simplify their accounting, with the understanding that we take an admin fee on all funds that come through Springboard whether or not the funds are tax-deductible.

## Donations

Contributions from individuals often make up the largest source of income for non-profit arts organizations. By using a fiscal sponsor, donations to your project can be tax-deductible for your donors, but you must follow certain guidelines.

You must properly identify your relationship with Springboard. Because donations to fiscal sponsorship projects are legally made to Springboard, fundraising materials and solicitations - - such as fundraising brochures, letters and event invitations -- must follow legal guidelines. The following is the text to use when soliciting donations:

*[Project Name] is a sponsored project of Springboard for the Arts, a nonprofit arts service organization. Contributions on behalf of [Project Name] may be made payable to Springboard for the Arts and are tax deductible to the extent permitted by law.*

## Donor Advised Funds

“Donor advised funds” are donations made by an individual who has direct control over how the donated money is spent. The most common version of this for Incubator projects is when a project director wants to make an initial donation to get the ball rolling on their project. Springboard has to consider these transfers of funds rather than a donations, and we cannot issue acknowledgement letters to people who are directly associated with the project. Because it’s not a donation, there’s no reason to run that transfer through Springboard before depositing it directly into your own account.

## Partially Deductible Donations

Donations are only fully deductible if whoever is donating does not receive goods or services for their donation. Sometimes you may want to offer your donors something in return, like tickets to a performance. In that case, the tax deduction and text are a little different:

*[Project Name] is a sponsored project of Springboard for the Arts, a nonprofit arts service organization. Contributions on behalf of [Project Name] may be made payable to Springboard for the Arts. The value of [GOODS RECEIVED] is [\$XX]. Any contribution above that amount is tax deductible to the extent permitted by law.*

Another common class of partially deductible donations is purchases of silent auction items- the tax-deductible portion is any amount paid over and above the stated value of the item.

## In-Kind Donations

An in-kind donation is a donation not of cash, but of goods that will benefit your organization, such as office equipment or items for a silent auction. Donations of property are fully deductible, but the donor must determine the value. Springboard cannot process vehicle donations. Contact Springboard in advance of accepting in-kind donations if the donated item’s value is larger than \$1,000. Springboard does not take an administrative percentage of the value of in-kind donations.

Unlike donated goods, donated *services* are not tax-deductible. This includes rent, legal, accounting, graphic design, web design or printing services. You can of course receive those kinds of donated services; it is just that the donor cannot get a tax deduction for them.

### **Matching Donations**

Businesses will often have giving programs that will match an employee's charitable donation. Most often, donations to a group through a fiscal sponsor are eligible for these programs. The employee donating to your project must remember to note Springboard for the Arts as the recipient of the funds, with a notation of your project name. Forward any employer match forms to Springboard for processing. Once the matching check arrives, it will be credited in your account. Keep in mind that it often takes corporate matches several weeks to process before they are sent out.

### **Online Donations**

Online donations must be made through GiveMN.org, a site that is specifically designed for nonprofit organizations. A step-by-step guide to set up a fundraising page is sent to each project that is accepted into the Incubator program.

GiveMN.org charges a 4.9% fee for processing donations online. Springboard lowers our administration fee to 5% to help offset this cost, and further reduces the impact by calculating the admin fee on the net amount. Because other platforms – such as Kickstarter, Indie GoGo, and Hatchfund -- are not set up to accommodate fiscally sponsored projects, Incubator projects cannot use them to solicit tax-deductible donations. These other platforms also have higher fees than GiveMN.org.

### **Credit Card Donations**

For in-person donations, Springboard can accept Visa, MasterCard, American Express, or Discover, via our credit card Square account and swiper. The same 7% administration fee for cash or check donations applies to credit card transactions as well. Our credit card Square and account login information can be checked out for use at special events. This is available on a first come, first serve basis and is not guaranteed – though to date we've never had to turn down a request. Please note that keeping credit card information you collect from your donors is a serious legal risk.

### **Sponsorship vs. Advertising**

Corporate sponsorship can be a great way to raise funds for your project. Advertising and sponsorship are similar, but have important differences. If a sponsor or advertiser controls the content of a message they've paid for, it is considered advertising. If the non-profit controls the content (usually a simple thank you and logo placement), then it is considered sponsorship. Advertising income is not tax deductible. In fact, income from advertising is taxable, even for a 501(c)(3). We will not manage advertising income, but we will manage sponsorship income.

### **Grants**

Grants can be a major source of income for your project. A main benefit of fiscal sponsorship is that you are eligible for more kinds of funding than you would be as an individual or for-

profit business. However, there are more restrictions on granting through a fiscal sponsor than through a separate tax-exempt organization. For legal reasons, Springboard must be made aware of any grant proposals you plan to submit. Springboard reserves the right to refuse to manage funding from proposals that we did not endorse.

Many large private and corporate foundations do not grant to sponsored organizations. Be sure to do your research early and each time you plan to submit a proposal. Eligibility requirements can change; if you submit a proposal that does not fit guidelines, it can reflect poorly on both Springboard and on your organization.

If a grantor does accept fiscally sponsored projects, they will almost always require letter of support or other supporting documentation from Springboard that outlines our relationship to your project and our financial status. The grantor may also request additional documents from Springboard. You can request letters of support and other materials on your Account Page:

<http://springboardforthearts.org/account-page/>

To avoid rush fees, contact us no less than one week (5 business days) before your grant proposal is due. This time is necessary to prepare materials you may need, including letters of support. Requests made fewer than 5 business days in advance are subject to a \$75 rush fee. Requests made fewer than 2 business days in advance may be declined.

In general, it is a great idea to study the attachments and support materials required by grantors as early as possible. Applicants typically think of the narrative as the most time-consuming aspect of a grant application, but often the attachments and support materials require considerable lead-time and effort.

### **Charitable Gambling**

Due to licensing requirements and legal complexity, fiscal sponsor projects are not permitted to raise funds via charitable gambling, such as raffles or bingo.

### **Donor Acknowledgment**

For donations of \$250 or greater, Springboard will send an acknowledgement email or letter to your donors, provided we received the check. You will be copied on the email acknowledgement(s), which will include Springboard's federal ID number and serve as a receipt for the donation. Springboard will send acknowledgement letters for gifts of \$250 or more from granting organizations when checks are sent directly to our office. If you want acknowledgement letters to go out for donations less than \$250, you have two options.

Option 1: You can draft your own acknowledgement letter that includes the following paragraph:

*[Project Name] is a sponsored project of Springboard for the Arts, a nonprofit arts service organization. Springboard for the Arts has been organized and operated to qualify as tax-exempt under Section 501(c)(3) of the Internal Revenue Code; Taxpayer Identification Number 41-1690483.*

Option 2: Springboard can write the acknowledgement letter for you, but you must email [incubator@springboardforthearts.org](mailto:incubator@springboardforthearts.org) a spreadsheet containing donation amounts, names, email addresses, and mail addresses of those you would like to receive acknowledgement letters. Please note we cannot send acknowledgement letters for donations made with cash. Acknowledgements for donations through GiveMN.org are done automatically; Springboard does not send anything in addition for these donations.

## Managing Your Funds

### Deposits

If you are running an individual donation campaign, collect checks and drop them off or mail them to Springboard (308 Prince St. #270, St. Paul, MN 55101). Do not instruct your donors to mail funds to Springboard directly. We sponsor many projects that often have many of the same donors. Having checks sent in by the project head helps us make sure your funds are credited properly.

Processes vary from funder to funder, but checks from grantors are often sent directly to Springboard and not to the project head. In these cases, Springboard will deposit and acknowledge the donation without any additional prompts or forms needed from you.

If you ever need to know the status of grant funds you are expecting, feel free to contact us at [incubator@springboardforthearts.org](mailto:incubator@springboardforthearts.org).

Some things to keep in mind:

1. Checks can only be made out to “Springboard for the Arts.” The memo line must include your project name.
2. We cannot accept checks made out to your project’s name or [Your Project] / Springboard for the Arts. Please make sure your project name is in the memo line.
3. We can deposit cash, but it must be dropped off at Springboard’s office directly and we cannot write acknowledgement letters for cash donations.

### *What happens to funds that are deposited with Springboard?*

We deposit Incubator funds into a checking account that is separate from Springboard’s operating cash or reserves. The income and expenses are all tracked by program; weekly reports are sent to each project director on Fridays. Springboard takes our administrative fee at the time the income is deposited. The balance of your fund stays with us until you request it, and you are not required to maintain a minimum balance. Funds are not available until a deposit has been processed and clears the bank; this can take between a few days to two weeks. Incubator projects are welcome to withdraw their funds on an as-needed basis or may opt to withdraw their funds in bulk in order to manage their expenses more readily. In all cases, we very strongly recommend each project maintain a bank account for their project that is separate from any personal accounts.

### Check Requests

Request funds via the online Check Request Form linked on your Account Page:

<http://springboardforthearts.org/account-page/>

Check requests received by Monday at noon and can be mailed or picked-up at 3 p.m. on Thursday. Anything received after Monday at noon will be included in the following week's batch. Springboard will only cut checks to the project itself or the project head. We do not make checks out to third parties. You are not required to hold a minimum balance in your Springboard account.

If your deposit has already cleared, the turnaround time for checks is usually one week. Please do not request funds until funds to cover your request have cleared.

Check Requests will be honored only if:

1. The online request form(s) have been completed
2. Funds are requested by a signer on your organization's fiscal sponsorship contract
3. The funds to cover the request have cleared

### **Vendors, Taxes, and Reimbursement**

Springboard treats unincorporated fiscal sponsor projects as independent contractors. Any independent contractor who receives \$600 or more from us will be issued a 1099 tax form at the end of the year. If some of those funds were to reimburse yourself for project expenses and supplies, you will need to itemize those expenses on a Schedule C (profit and loss from business) to reduce your taxable income. It is imperative that you keep track of all money coming in and receipts of payment.

Springboard is happy to offer assistance, but please note that proper tax reporting for your organization is your responsibility. It is the responsibility of the project director, for both incorporated and unincorporated projects, to send out 1099s to individuals they paid \$600 or more for work on their project. If you need assistance with recordkeeping or tax preparation, Springboard offers artist-friendly workshops and referrals to bookkeepers and tax professionals.

Incorporating with the state of Minnesota is a less complicated, less expensive process than applying to be a 501(c)(3) non-profit with the federal government. Filing with the state of Minnesota includes a fee of \$75.00 and takes some extra paperwork, but it allows you to have a business checking account separate from any individual tax liability to pay for project expenses. This is the recommended course of action if you have plans on applying for your own 501(c)(3) status in the near future.

### **Reports**

Once we are holding a balance for your project, you will receive a financial report from us every Friday morning. These reports include all transactions made up to the previous day.

## Other Program Benefits and Services

### Project Communication

Email is Springboard's primary communications tool with fiscal sponsor projects. Make sure we have your current email address so we can contact you about your account, as well as let you know about workshops that might be useful, fiscal sponsorship project discounts, or upcoming grants and opportunities. Also please note that multiple employees monitor the [incubator@springboardforthearts.org](mailto:incubator@springboardforthearts.org) account, and it is often the fastest way to get in touch with us.

### Springboard workshop discounts

Springboard offers discounts on workshops and other events for fiscal sponsorship projects.

### Meeting Space

Springboard's conference room is available at a discounted rate for sponsorship project group meetings or events. Contact [andy@springboardforthearts.org](mailto:andy@springboardforthearts.org) for pricing and availability.

## Fiscal Sponsorship Reminders

### DO:

1. Be aware of your deadlines and needs – many of our projects apply for the same grants, and we are not always able to accommodate last minute requests.
2. Make sure donation checks are made out to Springboard for the Arts with your organization's name in the memo line.
3. Keep track of your records. The better organized you are day-to-day, the easier it will be to file your taxes or prepare grant applications when the time comes.
4. Be available via email and have regular access to a computer – this program happens online.
5. Let us know what's working and what's not. We're here to help, and we always strive to do better.

### DO NOT:

1. Use Springboard's EIN or Tax Exemption Certificate without our knowledge or consent. No consent will be given for any purpose that does not align with Springboard's mission.
2. Re-grant money from your fund to another entity.
3. Record and keep credit card information from your donors.

4. Use contributed funds for anything outside your stated project.
5. Use Springboard's name or information to register for services or accounts.
6. Use Springboard's bulk mail permit.
7. Apply for exemption from sales tax. With rare exceptions, Springboard's exemption from Minnesota sales tax does not extend to fiscally sponsored projects.

## **Other Fiscal Sponsorship Resources and Programs**

Springboard partners with many other like-minded arts organizations and resources both locally, regionally, and nationally. Parts of Springboard's program were modeled on those of Fractured Atlas in New York and the Arts Intersection Incubator in San Francisco.

### **Fractured Atlas**

Fractured Atlas is a national arts service organization based in New York with many great professional development services for artists, including fiscal sponsorship. They are also a great source for event liability insurance. Springboard projects can get a free membership to Fractured Atlas at: [www.fracturedatlas.org/springboard](http://www.fracturedatlas.org/springboard)

### **Independent Filmmaker Project**

The Independent Filmmaker Project (IFP) Fiscal Sponsorship is exclusively for creative, artistic and/or educational film, video and transmedia projects, giving filmmakers the benefit of IFPs focused experience and reputation in the field. You can find out more at: <http://www.ifp.org/programs/fiscal-sponsorship#.UvKcLINAJXA>

### **Intersection for the Arts Incubator**

The Intersection for the Arts Incubator Program provides developmental support to San Francisco and Bay Area artists and arts organizations including fiscal sponsorship/project incubation: [www.theintersection.org/incubator/index.php](http://www.theintersection.org/incubator/index.php)

### **Fiscal Sponsorship Directory**

A national directory of nonprofits offering fiscal sponsorship:  
[www.fiscalsponsordirectory.org](http://www.fiscalsponsordirectory.org)

### **Fiscal Sponsorship: Six Ways To Do It Right by Gregory Colvin**

Gregory is an attorney and legal authority on fiscal sponsorship. His book is available for order at [www.fiscalsponsorship.com](http://www.fiscalsponsorship.com); a browse copy is also available in Springboard's resource center.

## **Tides Center**

The Tides Center is “The nation’s largest fiscal sponsor of progressive initiatives,” operating more than 200 projects nationwide. Their website has resources, information, and advocacy for fiscal sponsorship: <http://www.tidescenter.org/fiscal-sponsorship>