

Springboard for the Arts

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2018 and 2017



CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| EXHIBIT A: Statements of Activities and Changes in Net Assets – For the Years Ended June 30, 2018 and 2017 | 2 |
| EXHIBIT B: Statement of Functional Expense – For the Year Ended June 30, 2018 with Comparative Totals for 2017 | 3-4 |
| EXHIBIT C: Statement of Functional Expense – For the Year Ended June 30, 2017 | 5 |
| EXHIBIT D: Statements of Financial Position – June 30, 2018 and 2017 | 6 |
| EXHIBIT E: Statements of Cash Flows – For the Years Ended June 30, 2018 and 2017 | 7 |
| NOTES TO FINANCIAL STATEMENTS | 8-17 |



Carpenter, Evert & Associates

Certified Public Accountants

7760 France Avenue S. Suite 940 Bloomington Minnesota 55435

952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
Springboard for the Arts
St. Paul, Minnesota

We have audited the accompanying financial statements of Springboard for the Arts, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expense, 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.

Auditor's 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 of 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 Springboard for the Arts as of June 30, 2018 and 2017, 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.

Carpenter, Evert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
March 21, 2019

SPRINGBOARD FOR THE ARTS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | | | 2017 | | |
|---|-------------------|------------------------|---------------------|-------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support and Revenue: | | | | | | |
| Contributions | \$ 139,010 | \$ 620,715 | \$ 759,725 | \$ 175,504 | \$ 3,200,474 | \$ 3,375,978 |
| Government Grants | 82,405 | 175,000 | 257,405 | 105,210 | 96,000 | 201,210 |
| Capital Campaign | - | 485,872 | 485,872 | - | - | - |
| Program Fees | 316,979 | - | 316,979 | 239,885 | - | 239,885 |
| Other Income | 3,240 | - | 3,240 | 6,310 | - | 6,310 |
| Net Assets Released from Restrictions: | | | | | | |
| Satisfaction of Time Restrictions | 342,500 | (342,500) | - | 234,000 | (234,000) | - |
| Satisfaction of Program Restrictions | 938,167 | (938,167) | - | 881,435 | (881,435) | - |
| Total Support and Revenue | 1,822,301 | 920 | 1,823,221 | 1,642,344 | 2,181,039 | 3,823,383 |
| Expense: | | | | | | |
| Program Services: | | | | | | |
| Community Development | 293,446 | - | 293,446 | 351,071 | - | 351,071 |
| Fergus Falls | 359,794 | - | 359,794 | 365,878 | - | 365,878 |
| Incubator | 92,344 | - | 92,344 | 111,073 | - | 111,073 |
| Artist Resources | 498,128 | - | 498,128 | 396,989 | - | 396,989 |
| National Program | 281,923 | - | 281,923 | 213,231 | - | 213,231 |
| General Program | 77,904 | - | 77,904 | 62,988 | - | 62,988 |
| Total Program Services | 1,603,539 | - | 1,603,539 | 1,501,230 | - | 1,501,230 |
| Support Services: | | | | | | |
| Management and General Fundraising | 116,733 | - | 116,733 | 106,349 | - | 106,349 |
| | 21,009 | - | 21,009 | 10,470 | - | 10,470 |
| Total Support Services | 137,742 | - | 137,742 | 116,819 | - | 116,819 |
| Total Expense | 1,741,281 | - | 1,741,281 | 1,618,049 | - | 1,618,049 |
| Change in Net Assets | 81,020 | 920 | 81,940 | 24,295 | 2,181,039 | 2,205,334 |
| Net Assets - Beginning of Year | 576,718 | 2,856,156 | 3,432,874 | 552,423 | 675,117 | 1,227,540 |
| Net Assets - End of Year | \$ 657,738 | \$ 2,857,076 | \$ 3,514,814 | \$ 576,718 | \$ 2,856,156 | \$ 3,432,874 |

The accompanying Notes to Financial Statements are an integral part of these statements.

SPRINGBOARD FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

2018

| | Program Services | | | | | | Total |
|-----------------------------------|-----------------------|--------------|-----------|------------------|------------------|-----------------|--------------|
| | Community Development | Fergus Falls | Incubator | Artist Resources | National Program | General Program | |
| Salaries | \$ 134,861 | \$ 147,909 | \$ 57,378 | \$ 305,881 | \$ 85,093 | \$ - | \$ 731,122 |
| Employee Benefits | 18,908 | 19,531 | 7,170 | 41,368 | 13,418 | - | 100,395 |
| Payroll Taxes | 10,230 | 11,228 | 4,327 | 22,945 | 6,240 | - | 54,970 |
| Total Personnel Costs | 163,999 | 178,668 | 68,875 | 370,194 | 104,751 | - | 886,487 |
| Professional Services | 98,889 | 103,839 | 10,720 | 42,428 | 135,260 | 61,235 | 452,371 |
| Occupancy | 9,563 | 30,071 | 2,229 | 15,610 | 2,879 | - | 60,352 |
| Travel and Conferences | 986 | 15,177 | 2,205 | 9,631 | 19,259 | 549 | 47,807 |
| Telephone and Communication | 3,752 | 6,272 | 1,211 | 8,938 | 1,472 | - | 21,645 |
| Meals and Entertainment | 6,755 | 2,776 | 135 | 5,658 | 4,231 | 2,140 | 21,695 |
| Printing and Copying | 2,839 | 2,792 | 617 | 10,735 | 625 | 1,263 | 18,871 |
| Miscellaneous | 112 | 1,407 | 560 | 6,374 | 305 | 4,687 | 13,445 |
| Supplies | 849 | 6,274 | 308 | 5,415 | 837 | 3,112 | 16,795 |
| Advertising and Marketing | 729 | 2,517 | 15 | 2,580 | 4,180 | 3,677 | 13,698 |
| Grant Expense | - | - | - | 11,849 | - | - | 11,849 |
| Bank Charges and Interest Expense | 616 | 616 | 849 | 920 | 1,703 | - | 4,704 |
| Capital Campaign Expense | - | - | - | - | - | - | - |
| Professional Development | - | 3,620 | 265 | 2,334 | 1,747 | - | 7,966 |
| Insurance | 1,022 | 1,022 | 1,022 | 1,022 | 1,022 | - | 5,110 |
| Postage | 2 | 182 | - | 509 | 319 | 744 | 1,756 |
| Equipment Repairs and Maintenance | - | 1,228 | - | 598 | - | 497 | 2,323 |
| Bad Debts | - | - | - | - | - | - | - |
| Depreciation | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | - | 16,665 |
| Total Expense | \$ 293,446 | \$ 359,794 | \$ 92,344 | \$ 498,128 | \$ 281,923 | \$ 77,904 | \$ 1,603,539 |

The accompanying Notes to Financial Statements are an integral part of this statement.

SPRINGBOARD FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

| | 2018 | | | | 2017 | |
|-----------------------------------|--------------|----------------------|--------------|------------------------|--------------------|--------------------|
| | Program | Support Services | | | Total All Services | Total All Services |
| | | Management & General | Fund-raising | Total Support Services | | |
| Salaries | \$ 731,122 | \$ 64,506 | \$ 8,037 | \$ 72,543 | \$ 803,665 | \$ 717,004 |
| Employee Benefits | 100,395 | 6,425 | 1,079 | 7,504 | 107,899 | 65,983 |
| Payroll Taxes | 54,970 | 10,881 | 665 | 11,546 | 66,516 | 61,679 |
| Total Personnel Costs | 886,487 | 81,812 | 9,781 | 91,593 | 978,080 | 844,666 |
| Professional Services | 452,371 | 13,790 | - | 13,790 | 466,161 | 542,123 |
| Occupancy | 60,352 | 3,120 | - | 3,120 | 63,472 | 66,296 |
| Travel and Conferences | 47,807 | 1,309 | - | 1,309 | 49,116 | 33,658 |
| Telephone and Communication | 21,645 | 1,563 | - | 1,563 | 23,208 | 22,525 |
| Meals and Entertainment | 21,695 | - | - | - | 21,695 | 12,441 |
| Printing and Copying | 18,871 | 1,604 | 112 | 1,716 | 20,587 | 24,473 |
| Miscellaneous | 13,445 | 1,126 | 2,965 | 4,091 | 17,536 | 11,331 |
| Supplies | 16,795 | 329 | - | 329 | 17,124 | 14,221 |
| Advertising and Marketing | 13,698 | 10 | - | 10 | 13,708 | 11,875 |
| Grant Expense | 11,849 | - | - | - | 11,849 | - |
| Bank Charges and Interest Expense | 4,704 | 4,715 | - | 4,715 | 9,419 | 1,540 |
| Capital Campaign Expense | - | - | 8,115 | 8,115 | 8,115 | - |
| Professional Development | 7,966 | 74 | - | 74 | 8,040 | 4,002 |
| Insurance | 5,110 | 1,021 | - | 1,021 | 6,131 | 3,989 |
| Postage | 1,756 | 1,992 | 36 | 2,028 | 3,784 | 2,968 |
| Equipment Repairs and Maintenance | 2,323 | 104 | - | 104 | 2,427 | 514 |
| Bad Debts | - | 829 | - | 829 | 829 | - |
| Depreciation | 16,665 | 3,335 | - | 3,335 | 20,000 | 21,427 |
| Total Expense | \$ 1,603,539 | \$ 116,733 | \$ 21,009 | \$ 137,742 | \$ 1,741,281 | \$ 1,618,049 |

The accompanying Notes to Financial Statements are an integral part of this statement.

**SPRINGBOARD FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2017**

| | Program Services | | | | | | Support Services | | | | Total All Services |
|-----------------------------------|--------------------------|--------------|------------|---------------------|---------------------|--------------------|------------------------------|-------------------------|------------------|---------------------|--------------------------|
| | Community Development | Fergus Falls | Incubator | Artist Resources | National Program | General Program | Total Program Services | Management & General | Fund- raising | Support Services | |
| Salaries | \$ 119,815 | \$ 136,310 | \$ 73,618 | \$ 248,774 | \$ 80,114 | \$ - | \$ 658,631 | \$ 49,773 | \$ 8,600 | \$ 58,373 | \$ 717,004 |
| Employee Benefits | 7,887 | 11,089 | 5,979 | 19,144 | 4,781 | - | 48,880 | 16,312 | 791 | 17,103 | 65,983 |
| Payroll Taxes | 9,420 | 10,770 | 5,984 | 20,105 | 6,528 | - | 52,807 | 8,132 | 740 | 8,872 | 61,679 |
| Total Personnel Costs | 137,122 | 158,169 | 85,581 | 288,023 | 91,423 | - | 760,318 | 74,217 | 10,131 | 84,348 | 844,666 |
| Professional Services | 198,567 | 133,308 | 12,396 | 34,105 | 90,802 | 56,100 | 525,278 | 16,845 | - | 16,845 | 542,123 |
| Occupancy | 2,591 | 29,996 | 3,294 | 24,374 | 2,390 | 483 | 63,128 | 3,168 | - | 3,168 | 66,296 |
| Travel and Conferences | 2,853 | 12,357 | 326 | 4,743 | 12,837 | 14 | 33,130 | 528 | - | 528 | 33,658 |
| Telephone and Communication | 2,497 | 5,363 | 2,416 | 7,363 | 2,541 | - | 20,180 | 2,345 | - | 2,345 | 22,525 |
| Meals and Entertainment | 916 | 2,716 | 413 | 1,681 | 4,039 | 2,676 | 12,441 | - | - | - | 12,441 |
| Printing and Copying | 1,102 | 7,365 | 514 | 10,959 | 2,434 | - | 22,374 | 1,920 | 179 | 2,099 | 24,473 |
| Miscellaneous | 93 | 135 | 2,400 | 8,163 | - | 71 | 10,862 | 469 | - | 469 | 11,331 |
| Supplies | 1,214 | 7,091 | 215 | 4,366 | 890 | 33 | 13,809 | 412 | - | 412 | 14,221 |
| Advertising and Marketing | 276 | 5,812 | - | 522 | 1,532 | 3,328 | 11,470 | 405 | - | 405 | 11,875 |
| Bank Charges and Interest Expense | 111 | 111 | 147 | 373 | 311 | - | 1,053 | 487 | - | 487 | 1,540 |
| Professional Development | 295 | - | 159 | 1,869 | 604 | - | 2,927 | 1,075 | - | 1,075 | 4,002 |
| Insurance | 499 | 499 | 499 | 1,498 | 499 | - | 3,494 | 495 | - | 495 | 3,989 |
| Postage | 217 | 215 | 22 | 568 | 211 | 283 | 1,516 | 1,292 | 160 | 1,452 | 2,968 |
| Equipment Repairs and Maintenance | 40 | 63 | 13 | 345 | 40 | - | 501 | 13 | - | 13 | 514 |
| Depreciation | 2,678 | 2,678 | 2,678 | 8,037 | 2,678 | - | 18,749 | 2,678 | - | 2,678 | 21,427 |
| Total Expense | \$ 351,071 | \$ 365,878 | \$ 111,073 | \$ 396,989 | \$ 213,231 | \$ 62,988 | \$ 1,501,230 | \$ 106,349 | \$ 10,470 | \$ 116,819 | \$ 1,618,049 |

The accompanying Notes to Financial Statements are an integral part of this statement.

SPRINGBOARD FOR THE ARTS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

| <u>ASSETS</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash | \$ 1,146,456 | \$ 874,847 |
| Investments | 303,743 | 404,458 |
| Accounts Receivable | 58,789 | 17,503 |
| Grants Receivable | 1,414,056 | 1,211,058 |
| Prepaid Expense | 28,731 | 29,541 |
| Total Current Assets | <u>2,951,775</u> | <u>2,537,407</u> |
| Noncurrent Assets: | | |
| Investments | 203,314 | 201,792 |
| Property and Equipment - Net | 1,552,697 | 41,186 |
| Grants Receivable - Net | 876,460 | 1,276,706 |
| Security Deposit | 1,963 | 1,963 |
| TOTAL ASSETS | <u>\$ 5,586,209</u> | <u>\$ 4,059,054</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 17,591 | \$ 8,347 |
| Notes Payable - Current Portion | 2,111 | - |
| Payroll Taxes Accrued and Withheld | 30,959 | 25,406 |
| Accrued Salaries | 14,547 | 12,059 |
| Deferred Revenue | 7,501 | 18,856 |
| Fiscal Sponsorship | 494,970 | 561,512 |
| Total Current Liabilities | <u>567,679</u> | <u>626,180</u> |
| Note Payable - Long Term Portion | <u>1,503,716</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>\$ 2,071,395</u> | <u>\$ 626,180</u> |
| Net Assets: | | |
| Unrestricted | 401,253 | 215,591 |
| Board Designated | 256,485 | 361,127 |
| Total Unrestricted Net Assets | <u>657,738</u> | <u>576,718</u> |
| Temporarily Restricted | <u>2,857,076</u> | <u>2,856,156</u> |
| Total Net Assets | <u>3,514,814</u> | <u>3,432,874</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,586,209</u> | <u>\$ 4,059,054</u> |

The accompanying Notes to Financial Statements
are an integral part of these statements.

SPRINGBOARD FOR THE ARTS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| <u>Increase (Decrease) in Cash</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|--------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 81,940 | \$ 2,205,334 |
| Total Adjustments | <u>116,160</u> | <u>(1,873,294)</u> |
| Net Cash Provided by Operating Activities | 198,100 | 332,040 |
| Cash Flows from Investing Activities: | | |
| Purchases of Property and Equipment | (1,531,511) | (1,747) |
| Proceeds from Sale of Investments | 405,115 | 200,797 |
| Purchases of Investments | <u>(305,922)</u> | <u>(203,598)</u> |
| Net Cash (Used) by Investing Activities | (1,432,318) | (4,548) |
| Cash Flows from Financing Activities: | | |
| Proceeds from Loans | <u>1,505,827</u> | - |
| Net Cash Provided by Financing Activities | 1,505,827 | - |
| Net Increase in Cash | 271,609 | 327,492 |
| Cash - Beginning of Year | <u>874,847</u> | <u>547,355</u> |
| Cash - End of Year | <u>\$ 1,146,456</u> | <u>\$ 874,847</u> |

The accompanying Notes to Financial Statements
are an integral part of these statements.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies

Organizational Purpose

Springboard for the Arts (Springboard) is a nonprofit arts service organization incorporated in the State of Minnesota under the nonprofit corporation act. Springboard's mission is to cultivate vibrant communities by connecting artists with the skills, contacts, information and services they need to make a living and life.

Springboard serves artists and organizations working in all artistic disciplines in the State of Minnesota and surrounding Upper Midwest region: primarily through workshops, counseling, consulting, and telephone and website information and referral, and sharing program models nationally.

Springboard's programs are as follows:

Artist Resources – Springboard for the Arts' Artist Resources programming encompasses professional development resources for artists, economic opportunity programs, access to health and legal resources, and physical Resource Centers. In FY18 we continued to build the capacity of our Resource Center for artists, offering computer workstations outfitted with graphic and slide scanners, Adobe Creative Cloud, Microsoft Office, a publications library, and other grant-making and opportunities databases. In our St. Paul Resource Center, we piloted A/V Closet, a new offering for artists to check out arts technology such as cameras and lights. We've expanded our legal referral service, connecting 185 artists with one-on-one attorney referrals in FY18. Springboard for the Arts supports artists' healthcare through several programs. Artists' Access to Healthcare (AAH) removes financial and system navigation barriers for artists and their families. AAH provides artists with vouchers to cover the cost of medical, dental and mental health services. Through vouchers, MNsure navigation, and resource distribution, Springboard offered 3,022 healthcare referrals in FY18. We expanded our partnership with People's Center Health Services to include pop-up arts activities, where 500 patients, staff, and passersby benefitted. The Emergency Relief Fund (ERF) provided small monetary support for 22 artists who have career-threatening emergencies or to use their art to respond to community emergencies. In FY18 Springboard for the Arts' Professional Development programs served 2,982 individual artists and community members through workshops, one-on-one consulting and participation at leading conferences both locally and nationally. Springboard for the Arts presented: 112 workshops on business skills for artists and professional development, 201 individual consultations, and presented at conferences locally and nationally highlighting our content, artist services, and mission. Through a new partnership with an independent microlending platform, Springboard successfully supported six new artist entrepreneur projects to secure small business loans.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (Continued)

Organizational Purpose (Continued)

Community Development – Our Community Development Program organizes and empowers artists to build reciprocal relationships with their communities, resulting in vibrant, creative, equitable places. We provide catalytic workshops, trainings and project management in partnership with city governments, neighborhood organizations, private institutions and other groups that wish to engage artists in community building, economic development, creative placemaking and innovative problem-solving. By addressing opportunities and challenges associated with change locally in Minnesota, we also create customizable modes for communities nationally. In FY18, we directly supported over 50 artists to implement projects or activities, and trained (half day to 2 day long workshops) 90 artists in collaboration and community development. Their projects themselves involved more artists and volunteers, and touched thousands of viewers and participants. We presented our strategies and learnings to over 400 community development professionals (approximately 25% artists) through conference and other presentations.

Fergus Falls – In FY18 our Fergus Falls office provided professional training and consultations, a resource center, legal and healthcare resources to approximately 507 artists, as well as community development presentations and workshops to 3,002 community, state and national leaders. In addition, 28 artists in our Hinge Arts residency program reached approximately 650 artists community members through presentations, events and outreach activities, and the Year of Play project reached 687 community members.

Incubator – Springboard for the Arts' Incubator: A Fiscal Sponsorship Program provides fiscal sponsorship for art groups and individual artist projects that do not want (or are not ready) to become tax-exempt nonprofit organizations. In FY18 we managed over \$1 million in revenues for the 207 artist-led projects in the program

National Program – Springboard for the Arts' National program includes Creative Exchange, an online network of support for artists and arts organizations through replication toolkits and artist project profiles. Replication toolkits include Springboard programs such as Work of Art, guides to creative placemaking, Community Supported Art, Artists' Health Fair and Artist-led Community Development, as well as partner toolkits around creative use of vacant retail space, artist-engaged community planning, running galleries, public art, and artist-led community projects. We facilitate commissioning and support for new toolkits through Creative Exchange. Creative Exchange also facilitates building networks through organizing convenings and supporting the commission of new toolkits. Since its launch in March 2014, Creative Exchange has published over 360 artist profiles & special features, and shared over 7,000 toolkits. Springboard offers workshop Intensives in leading the Work of Art: Business Skills for Artists curriculum and in artist-led community development practices as part of the National program, and offers speaking, consulting, and workshops nationally.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (Continued)

Fund Accounting

In order to observe the limitations and restrictions placed on resources available to Springboard, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of Springboard resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Springboard considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Doubtful Accounts

Springboard extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and Springboard does not charge interest on accounts receivable balances. Springboard reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Property and Equipment

All major expenditures above \$500 for leasehold improvements and equipment are capitalized at cost at the date of acquisition or fair market value at date of donation in the case of gifts. Depreciation is provided through the use of the straight-line method.

Investments

Investments consist of certificates of deposit and are carried at fair market value. Springboard has a board approved investment policy that it follows in making investment decisions.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Springboard will record such disallowance at the time the final assessment is made.

Deferred Revenue

Springboard defers recognition of revenue when it has received a payment for services, but has not fulfilled its contract commitments.

Functional Allocation of Expense

Salaries and related expenses are allocated on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax

Springboard has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. Springboard's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. Springboard continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, Springboard annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending June 30, 2015 and later remain subject to examination by the Internal Revenue Service.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Use of 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 that affect the reported amounts of 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.

Subsequent Events

Springboard has evaluated the effect that subsequent events would have on the financial statements through March 21, 2019, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

Springboard provides services in the state of Minnesota and surrounding upper Midwest. In addition, grants and accounts receivable are from local residents, national foundations, governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At June 30, 2018 and 2017, Springboard held funds at a local financial institution in excess of federally insured limits.

3. Investments

Springboard held the following investments as of:

| | June 30, | | | |
|-------------------------|------------|------------|------------|------------|
| | 2018 | | 2017 | |
| | Cost | Fair Value | Cost | Fair Value |
| Certificates of Deposit | \$ 500,000 | \$ 507,057 | \$ 600,000 | \$ 606,250 |

Investment income was as follows as of:

| | June 30, | |
|-----------------|----------|----------|
| | 2018 | 2017 |
| Interest Income | \$ 2,475 | \$ 3,220 |

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. Major Sources of Support and Revenue

Major sources of support and revenue (net of discounts) were as follows for the year ending June 30, 2018:

| | |
|-------------------------|------------|
| Doris Duke Foundation | \$ 300,000 |
| McKnight Foundation | 240,000 |
| St. Paul Foundation | 200,000 |
| F.R. Bigelow Foundation | 200,000 |

5. Grants Receivable

The outstanding balance of grants receivable as of June 30, 2018 is expected to be collected over the following fiscal years:

| | |
|---|-------------------|
| <u>Due in the Years Ending June 30,</u> | |
| 2019 | \$ 1,414,056 |
| 2020 | 702,965 |
| 2021 | <u>201,195</u> |
| Total Grants Receivable | 2,318,216 |
| Less Discount at 4% | <u>27,700</u> |
| Net Grants Receivable | 2,290,516 |
| Current Portion | <u>1,414,056</u> |
| Long-term Portion | <u>\$ 876,460</u> |

6. Property and Equipment

Springboard owned the following property and equipment as of:

| | <u>June 30,</u> | | <u>Estimated Useful Lives</u> |
|-------------------------------|---------------------|------------------|-----------------------------------|
| | <u>2018</u> | <u>2017</u> | |
| Building | \$ 1,522,237 | \$ - | 39 years |
| Leasehold Improvements | 198,678 | 198,678 | 5 - 10 years |
| Furniture and Equipment | <u>126,097</u> | <u>116,823</u> | 3 - 10 years |
| | 1,847,012 | 315,501 | |
| Less Accumulated Depreciation | <u>294,315</u> | <u>274,315</u> | |
| | <u>\$ 1,552,697</u> | <u>\$ 41,186</u> | |

Depreciation expense of \$20,000 and \$21,427 was recorded for the years ended June 30, 2018 and 2017, respectively.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for the following as of:

| | <u>June 30,</u> | |
|-----------------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Enhance Arts Infrastructure | \$ 851,538 | \$ - |
| Future Years Operations | 630,000 | 1,913,793 |
| Capital Campaign | 485,872 | - |
| Community Programs | 478,333 | 678,746 |
| Health Programs | 283,333 | - |
| Our Town Knowledge Building | 125,000 | - |
| Bring Art to the Street | 3,000 | 15,500 |
| Artist Support | - | 100,117 |
| Fergus Falls | - | 57,000 |
| Artist Development | - | 34,000 |
| Professional Development | - | 32,000 |
| RAC Summit | - | 15,000 |
| Arts Tour | - | 10,000 |
| | <u>\$ 2,857,076</u> | <u>\$ 2,856,156</u> |

8. Unrestricted Net Assets – Board Designated

The Board of Directors made the following net asset designations as of:

| | <u>June 30,</u> | |
|-------------------|-------------------|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Cash Reserve Fund | <u>\$ 256,485</u> | <u>\$ 361,127</u> |

9. In-kind Contributions

Springboard records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

| | <u>June 30,</u> | |
|-----------------------------|------------------|------------------|
| | <u>2018</u> | <u>2017</u> |
| Rent Expense | 11,100 | 11,163 |
| Equipment | 500 | - |
| Total In-Kind Contributions | <u>\$ 11,600</u> | <u>\$ 11,163</u> |

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

10. Pension Plan

Springboard maintains a Simple Individual Retirement Account plan that covers those employees who meet eligibility requirements. Employer contributions of \$19,997 and \$16,891 were made for the years ending June 30, 2018 and 2017, respectively.

11. Fiscal Sponsorship

Springboard is a fiscal sponsor for several unincorporated entities. Only the cash held and the corresponding liability are recorded in the financial statements.

12. Leasing Commitments

Rental commitments under noncancelable leases for office space in effect at June 30, 2018, totaled \$16,154. The future annual rental commitments are as follows:

| <u>Due in the Year Ending June 30,</u> | |
|--|-----------|
| 2019 | \$ 16,154 |

Rental expense was \$60,193 and \$57,563 for the years ended June 30, 2018 and 2017, respectively.

13. Capital Campaign

In May 2018, Springboard acquired the site at 262 University Avenue West in St. Paul and launched a capital campaign to renovate and reimagine this site as a new headquarter for Springboard's work. Springboard's new home will serve as a welcoming creative hub for community members and artists. Adjacent to downtown St. Paul and located at the intersection of the Little Mekong, Frogtown, and Rondo neighborhoods of St. Paul, 262 University Avenue was originally built for Saxon Ford. Featuring a showroom, offices, a versatile two-story garage, and a 50-car surface parking lot, the property, shuttered in 2005, has been vacant for years.

Springboard for the Arts is reimaging 262 University as SpringBOX:

- An indoor/outdoor market, event, and art space that contributes to the identity and vibrancy of the neighborhood;
- An expanded resource center delivering critical economic opportunity services;
- A home base for staff; and
- Open public spaces for creative collaborations among neighborhood partners.

Springboard is using the first year of ownership of the building to invite the community to test ideas by trying multiple uses. By providing opportunities for community members to use the space and provide input, Springboard is ensuring that the redevelopment is designed to respond to the needs and opportunities of the community. In this learning year, Springboard is prioritizing uses of the space by neighborhood residents, community organizations, and projects with a social or economic justice purpose.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

14. Notes Payable

The breakdown of notes payable is as follows:

| | June 30, | |
|---|---------------------|-------------|
| | 2018 | 2017 |
| 4.375 % Note payable to Old National Bank with maturity on 5/1/23. Interest only payments are made from 6/1/18 through 11/1/19. Monthly payments of \$5,725 containing interest and principal payments begin on 12/1/19. The Note is secured by all Capital Campaign donations and pledges. | \$ 1,036,580 | \$ - |
| 5.5% Note payable to Propel with a maturity on 5/1/23. Interest only payments are made from 5/31/18 through 5/31/19. Monthly payments of \$3,095 containing interest and principal begin on 5/31/19. The Note is secured by the mortgaged property. | 444,247 | - |
| Note Payable to LISC with a 1/21/20 maturity. | 25,000 | - |
| Less Portion Due Within One (1) Year | <u>2,111</u> | <u>-</u> |
| Long-term Portion | <u>\$ 1,503,716</u> | <u>\$ -</u> |

Principal payments required are as follows:

| <u>Due in the Year Ending June 30,</u> | |
|--|---------------------|
| 2019 | \$ 2,111 |
| 2020 | 51,509 |
| 2021 | 34,834 |
| 2022 | 39,548 |
| 2023 | <u>1,377,825</u> |
| Total | <u>\$ 1,505,827</u> |

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

15. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

| | <u>June 30,</u> | |
|---|-------------------|-----------------------|
| | <u>2018</u> | <u>2017</u> |
| Depreciation | \$ 20,000 | \$ 21,427 |
| Grants Receivable | 400,246 | (1,176,706) |
| Increases (Decreases) in Current Liabilities: | | |
| Accounts Payable | 9,244 | 1,819 |
| Payroll Taxes Accrued and Withheld | 5,553 | 25,406 |
| Accrued Salaries | 2,488 | (24,479) |
| Deferred Revenue | (11,355) | 3,356 |
| Fiscal Sponsorship | (66,542) | (110,499) |
| Decreases (Increases) in Current Assets: | | |
| Accounts Receivable | (41,286) | (5,112) |
| Grants Receivable | (202,998) | (612,964) |
| Prepaid Expense | 810 | 4,458 |
| Total Adjustments | <u>\$ 116,160</u> | <u>\$ (1,873,294)</u> |