

# **Springboard for the Arts**

St. Paul, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2019 and 2018



**CERTIFIED PUBLIC ACCOUNTANTS**

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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, 2019 and 2018, 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, 2019 and 2018, 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 and Associates, Ltd.*  
Certified Public Accountants

Minneapolis, Minnesota  
February 20, 2020

SPRINGBOARD FOR THE ARTS  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Support and Revenue:					
Contributions	\$ 469,832	\$ 478,695	\$ 139,010	\$ 620,715	\$ 759,725
Government Grants	90,631	30,000	82,405	175,000	257,405
Capital Campaign	-	2,042,200	-	485,872	485,872
Program Fees	395,696	-	316,979	-	316,979
Other Income	8,708	-	3,240	-	3,240
Net Assets Released from Restrictions:					
Satisfaction of Time Restrictions	325,000	(325,000)	342,500	(342,500)	-
Satisfaction of Program Restrictions	1,030,995	(1,030,995)	938,167	(938,167)	-
Satisfaction of Capital Restrictions	425,146	(425,146)	-	-	-
Total Support and Revenue	<u>2,746,008</u>	<u>769,754</u>	<u>1,822,301</u>	<u>920</u>	<u>1,823,221</u>
Expense:					
Program Services:					
Community Development	436,427	-	293,446	-	293,446
Feigus Falls	322,998	-	359,794	-	359,794
Incubator	94,092	-	92,344	-	92,344
Artist Resources	623,058	-	498,128	-	498,128
National Program	127,805	-	281,923	-	281,923
General Program	24,805	-	77,904	-	77,904
Total Program Services	<u>1,629,185</u>	<u>-</u>	<u>1,603,539</u>	<u>-</u>	<u>1,603,539</u>
Support Services:					
Management and General Fundraising	163,990	-	116,733	-	116,733
	214,348	-	21,009	-	21,009
Total Support Services	<u>378,338</u>	<u>-</u>	<u>137,742</u>	<u>-</u>	<u>137,742</u>
Total Expense	<u>2,007,523</u>	<u>-</u>	<u>1,741,281</u>	<u>-</u>	<u>1,741,281</u>
Change in Net Assets	738,485	769,754	81,020	920	81,940
Net Assets - Beginning of Year	657,738	2,857,076	576,718	2,856,156	3,432,874
Net Assets - End of Year	<u>\$ 1,396,223</u>	<u>\$ 3,626,830</u>	<u>\$ 657,738</u>	<u>\$ 2,857,076</u>	<u>\$ 3,514,814</u>

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, 2019 WITH COMPARATIVE TOTALS FOR 2018

2019

	Program Services							Total Program Services
	Community Development	Fergus Falls	Incubator	Artist Resources	National Program	General Program		
Salaries	\$ 165,403	\$ 158,884	\$ 61,631	\$ 359,881	\$ 63,538	\$ -	\$ -	\$ 809,337
Employee Benefits	21,050	21,050	8,671	44,571	8,672	-	-	104,014
Payroll Taxes	11,867	11,818	4,866	25,026	4,817	-	-	58,394
Total Personnel Costs	198,320	191,752	75,168	429,478	77,027	-	-	971,745
Professional Services	175,746	58,001	9,818	100,445	27,618	12,000	-	383,628
Capital Campaign Expense	-	-	-	-	-	-	-	-
Occupancy	8,181	33,922	2,228	16,773	2,229	-	-	63,333
Miscellaneous	3,876	2,208	-	15,497	1,270	1,241	-	24,092
Travel and Conferences	14,818	13,118	1,770	5,583	6,285	1,381	-	42,955
Telephone and Communication	3,822	6,506	1,246	11,101	1,525	-	-	24,200
Printing and Copying	3,772	3,606	312	13,035	3,813	2,245	-	26,783
Meals and Entertainment	12,658	3,416	190	6,557	1,397	1,551	-	25,769
Supplies	11,341	5,508	468	6,103	567	81	-	24,068
Grant Expense	-	-	-	11,675	-	-	-	11,675
Insurance	343	343	342	343	342	-	-	1,713
Advertising and Marketing	567	273	-	1,851	1,110	5,836	-	9,637
Professional Development	582	1,930	558	1,118	1,998	-	-	6,186
Postage	7	354	1	601	314	465	-	1,742
Bank Charges and Interest Expense	171	171	201	170	520	5	-	1,238
Equipment Repairs and Maintenance	433	100	-	938	-	-	-	1,471
Bad Debts	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Total Expense	\$ 436,427	\$ 322,998	\$ 94,092	\$ 623,058	\$ 127,805	\$ 24,805	\$ -	\$ 1,629,185

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, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019				2018	
	Program	Support Services			Total All Services	Total All Services
	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 809,337	\$ 81,115	\$ 83,567	\$ 164,682	\$ 974,019	\$ 803,665
Employee Benefits	104,014	12,640	12,511	25,151	129,165	107,899
Payroll Taxes	58,394	4,866	6,256	11,122	69,516	66,516
Total Personnel Costs	971,745	98,621	102,334	200,955	1,172,700	978,080
Professional Services	383,628	12,912	-	12,912	396,540	466,161
Capital Campaign Expense	-	-	112,014	112,014	112,014	8,115
Occupancy	63,333	2,229	-	2,229	65,562	63,472
Miscellaneous	24,092	29,424	-	29,424	53,516	17,536
Travel and Conferences	42,955	3,531	-	3,531	46,486	49,116
Telephone and Communication	24,200	3,542	-	3,542	27,742	23,208
Printing and Copying	26,783	312	-	312	27,095	20,587
Meals and Entertainment	25,769	217	-	217	25,986	21,695
Supplies	24,068	552	-	552	24,620	17,124
Grant Expense	11,675	-	-	-	11,675	11,849
Insurance	1,713	8,720	-	8,720	10,433	6,131
Advertising and Marketing	9,637	-	-	-	9,637	13,708
Professional Development	6,186	-	-	-	6,186	8,040
Postage	1,742	1,748	-	1,748	3,490	3,784
Bank Charges and Interest Expense	1,238	392	-	392	1,630	9,419
Equipment Repairs and Maintenance	1,471	-	-	-	1,471	2,427
Bad Debts	-	-	-	-	-	829
Depreciation	8,950	1,790	-	1,790	10,740	20,000
Total Expense	\$ 1,629,185	\$ 163,990	\$ 214,348	\$ 378,338	\$ 2,007,523	\$ 1,741,281

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

	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		Total Support Services
Salaries	\$ 134,861	\$ 147,909	\$ 57,378	\$ 305,881	\$ 85,093	\$ -	\$ 731,122	\$ 64,506	\$ 8,037	\$ 72,543	\$ 803,665
Employee Benefits	18,908	19,531	7,170	41,368	13,418	-	100,395	6,425	1,079	7,504	107,899
Payroll Taxes	10,230	11,228	4,327	22,945	6,240	-	54,970	10,881	665	11,546	66,516
Total Personnel Costs	163,999	178,668	68,875	370,194	104,751	-	886,487	81,812	9,781	91,593	978,080
Professional Services	98,889	103,839	10,720	42,428	135,260	61,235	452,371	13,790	-	13,790	466,161
Capital Campaign Expense	-	-	-	-	-	-	-	-	8,115	-	8,115
Occupancy	9,563	30,071	2,229	15,610	2,879	-	60,352	3,120	-	3,120	63,472
Miscellaneous	112	1,407	560	6,374	305	4,687	13,445	1,126	-	4,091	17,536
Travel and Conferences	986	15,177	2,205	9,631	19,259	549	47,807	1,309	2,965	1,309	49,116
Telephone and Communication	3,752	6,272	1,211	8,938	1,472	-	21,645	1,563	-	1,563	23,208
Printing and Copying	2,839	2,792	617	10,735	625	1,263	18,871	1,604	-	1,716	20,587
Meals and Entertainment	6,755	2,776	135	5,658	4,231	2,140	21,695	-	112	-	21,695
Supplies	849	6,274	308	5,415	837	3,112	16,795	329	-	329	17,124
Grant Expense	-	-	-	11,849	-	-	11,849	-	-	-	11,849
Insurance	1,022	1,022	1,022	1,022	1,022	-	5,110	1,021	-	1,021	6,131
Advertising and Marketing	729	2,517	15	2,580	4,180	3,677	13,698	10	-	10	13,708
Professional Development	-	3,620	265	2,334	1,747	-	7,966	74	-	74	8,040
Postage	2	182	-	509	319	744	1,756	1,992	36	2,028	3,784
Bank Charges and Interest Expense	616	616	849	920	1,703	-	4,704	4,715	-	4,715	9,419
Equipment Repairs and Maintenance	-	1,228	-	598	-	497	2,323	104	-	104	2,427
Bad Debts	-	-	-	-	-	-	-	829	-	829	829
Depreciation	-	-	-	-	-	-	-	3,335	-	3,335	3,335
Total Expense	\$ 293,446	\$ 359,794	\$ 92,344	\$ 498,128	\$ 281,923	\$ 77,904	\$ 1,603,539	\$ 116,733	\$ 21,009	\$ 137,742	\$ 1,741,281

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

SPRINGBOARD FOR THE ARTS  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash	\$ 2,627,515	\$ 1,146,456
Investments	304,568	303,743
Accounts Receivable	98,999	58,789
Grants Receivable	1,971,127	1,414,056
Prepaid Expense	51,047	28,731
<b>Total Current Assets</b>	<b>5,053,256</b>	<b>2,951,775</b>
<b>Noncurrent Assets:</b>		
Investments	204,849	203,314
Property and Equipment - Net	1,762,617	1,552,697
Grants Receivable - Net	127,151	876,460
Security Deposit	1,963	1,963
<b>TOTAL ASSETS</b>	<b>\$ 7,149,836</b>	<b>\$ 5,586,209</b>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 29,562	\$ 17,591
Notes Payable - Current Portion	51,509	2,111
Payroll Taxes Accrued and Withheld	33,052	30,959
Accrued Salaries	35,138	14,547
Deferred Revenue	28,377	7,501
Fiscal Sponsorship	497,071	494,970
<b>Total Current Liabilities</b>	<b>674,709</b>	<b>567,679</b>
Note Payable - Long Term Portion	1,452,074	1,503,716
<b>TOTAL LIABILITIES</b>	<b>2,126,783</b>	<b>2,071,395</b>
<b>Net Assets:</b>		
<b>Without Donor Restrictions:</b>		
Undesignated	1,092,084	297,283
Board Designated	304,139	360,455
<b>Total Without Donor Restrictions</b>	<b>1,396,223</b>	<b>657,738</b>
With Donor Restrictions	3,626,830	2,857,076
<b>Total Net Assets</b>	<b>5,023,053</b>	<b>3,514,814</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,149,836</b>	<b>\$ 5,586,209</b>

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, 2019 AND 2018

<u>Increase (Decrease) in Cash</u>	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 1,508,239	\$ 81,940
Total Adjustments	195,724	116,160
Net Cash Provided by Operating Activities	<u>1,703,963</u>	<u>198,100</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of Property and Equipment	(218,718)	(1,531,511)
Proceeds from Sale of Investments	-	405,115
Purchases of Investments	-	(305,922)
Net Cash (Used) by Investing Activities	<u>(218,718)</u>	<u>(1,432,318)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Loans	-	1,505,827
Principal Payments on Notes Payable	(4,186)	-
Net Cash (Used) Provided by Financing Activities	<u>(4,186)</u>	<u>1,505,827</u>
Net Increase in Cash	1,481,059	271,609
Cash - Beginning of Year	<u>1,146,456</u>	<u>874,847</u>
Cash - End of Year	<u>\$ 2,627,515</u>	<u>\$ 1,146,456</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
<b>Cash Paid For:</b>		
Interest	<u>\$ 70,276</u>	<u>\$ -</u>

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

SPRINGBOARD FOR THE ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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 FY19 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 expanded the A/V Closet, a continued offering for artists to check out arts technology such as cameras and lights. We've continued our legal referral service, connecting 156 artists with one-on-one attorney referrals in FY19. 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 2,038 healthcare referrals in FY19. The Emergency Relief Fund (ERF) provided small monetary support for 16 artists who have career-threatening emergencies or to use their art to respond to community emergencies. In FY19 Springboard for the Arts' Professional Development programs served 2,461 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: 97 workshops on business skills for artists and professional development, 190 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. In FY19, Springboard for the Arts also expanded our pool of Artist Career Consultants and Work of Art workshop facilitators to reach broader communities, audiences and partners.

SPRINGBOARD FOR THE ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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 community communities nationally. In FY19, we directly supported over 60 artists to implement projects or activities, and trained (half day to 2 day long workshops) 150 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 700 community development professionals (approximately 25% artists) through conference and other presentations.

Fergus Falls –In FY19 our Fergus Falls office provided professional training and consultations, a resource center, legal and healthcare resources to approximately 350 artists, and community development training for 158 artists through Artists on Main Street. In addition, 18 artists in our Hinge Arts residency program reached approximately 740 community members through presentations, events and outreach activities, and the Year of Play project reached 472 community members. We also provided community development presentations and workshops to approximately 950 community, state and national leaders.

Incubator – Springboard for the Arts' Incubator: A Fiscal Sponsorship Program provides fiscal sponsorship for arts groups and individual artist projects that do not want (or are not ready) to become tax-exempt nonprofit organizations. In FY19 we managed over \$1.3 million in revenues for the 240 artist-led projects in the program during that period.

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 place making, 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 convening's and supporting the commission of new toolkits. Since its launch in March 2014, Creative Exchange has published over 390 artist profiles & special features, and shared over 8,000 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, 2019 AND 2018

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:

Net Assets without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – 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 or do not expire with time nor may be fulfilled by actions of Springboard.

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 \$3,000 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, 2019 AND 2018

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 with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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).

SPRINGBOARD FOR THE ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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 February 20, 2020, which is the date financial statements were available to be issued.

New Accounting Pronouncement

FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended June 30, 2019 and 2018, as required.

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, 2019 and 2018, Springboard held funds at a local financial institution in excess of federally insured limits.

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3. Investments

Springboard held the following investments as of:

	June 30,			
	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 500,000	\$ 509,417	\$ 500,000	\$ 507,057

Investment income was as follows as of:

	June 30,	
	2019	2018
Interest Income	\$ 2,398	\$ 2,475

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, 2019:

Knight Foundation	\$ 1,000,000
Bush Foundation	695,000
McKnight Foundation	414,000
Hardenbergh Foundation	350,000
Target Foundation	250,000

5. Grants Receivable

The outstanding balance of grants receivable as of June 30, 2019 is expected to be collected over the following fiscal years:

<u>Due in the Years Ending June 30,</u>	
2020	\$ 1,971,127
2021	<u>135,000</u>
Total Grants Receivable	2,106,127
Less Discount at 4%	<u>7,849</u>
Net Grants Receivable	2,098,278
Current Portion	<u>1,971,127</u>
Long-term Portion	<u>\$ 127,151</u>

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6. Property and Equipment

Springboard owned the following property and equipment as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2019</u>	<u>2018</u>	
Building	\$ 1,730,778	\$ 1,522,237	39 years
Leasehold Improvements	198,678	198,678	5 - 10 years
Furniture and Equipment	<u>138,217</u>	<u>126,097</u>	3 - 10 years
	2,067,673	1,847,012	
Less Accumulated Depreciation	<u>305,056</u>	<u>294,315</u>	
	<u>\$ 1,762,617</u>	<u>\$ 1,552,697</u>	

Depreciation expense of \$10,740 and \$20,000 was recorded for the years ended June 30, 2019 and 2018, respectively.

7. Net Assets With Donor Restrictions

Net Assets With Donor Restrictions consisted if amount of the following as of:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Capital Campaign	\$ 2,089,464	\$ 485,872
Enhancing Arts Infrastructure	500,000	851,538
Future Year Operations	412,500	630,000
Community Programs	208,333	478,333
Health Programs	183,333	283,333
Art Fellowships	113,200	-
Rural Arts and Culture Summit	90,000	-
Arts Access	30,000	-
Our Town Knowledge Building	-	125,000
Arts Access	-	<u>3,000</u>
	<u>\$ 3,626,830</u>	<u>\$ 2,857,076</u>



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8. Designated Net Assets

Springboard's Board of Directors has designated funds for the following as of:

	June 30,	
	2019	2018
Cash Reserve Fund	\$ 304,139	\$ 360,455

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:

	June 30,	
	2019	2018
Rent Expense	11,100	11,100
Equipment	-	500
Total In-Kind Contributions	\$ 11,100	\$ 11,600

10. Pension Plan

Springboard maintains a Simple Individual Retirement Account plan that covers those employees who meet eligibility requirements. Employer contributions of \$22,948 and \$19,997 were made for the years ending June 30, 2019 and 2018, 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, 2019, totaled \$8,425. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2020	\$ 8,425

Rental expense was \$62,149 and \$60,193 for the years ended June 30, 2019 and 2018, respectively.

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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 reimagining 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.

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14. **Notes Payable**

The breakdown of notes payable is as follows:

	June 30,	
	2019	2018
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	\$ 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.	442,003	444,247
Note Payable to LISC with a 1/21/20 maturity.	25,000	25,000
Less Portion Due Within One (1) Year	<u>51,509</u>	<u>2,111</u>
Long-term Portion	<u>\$ 1,452,074</u>	<u>\$ 1,503,716</u>

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2020	51,509
2021	34,834
2022	39,548
2023	<u>1,377,692</u>
Total	<u>\$ 1,503,583</u>

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15. Cash Flow Operating Adjustments

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

	June 30,	
	2019	2018
Depreciation	\$ 10,740	\$ 20,000
Realized (Gain) on Investments	(2,360)	-
Grants Receivable	749,309	400,246
Increases (Decreases) in Current Liabilities:		
Accounts Payable	11,971	9,244
Payroll Taxes Accrued and Withheld	2,093	5,553
Accrued Salaries	20,591	2,488
Deferred Revenue	20,876	(11,355)
Fiscal Sponsorship	2,101	(66,542)
Decreases (Increases) in Current Assets:		
Accounts Receivable	(40,210)	(41,286)
Grants Receivable	(557,071)	(202,998)
Prepaid Expense	(22,316)	810
Total Adjustments	\$ 195,724	\$ 116,160

16. Liquidity and Availability

The following represents the Springboard's financial assets at June 30, 2019:

Financial Assets:	
Cash	\$ 2,627,515
Investments	304,568
Accounts Receivable	98,999
Grants Receivables	<u>2,098,278</u>
Total Financial Assets	5,129,360
Less assets not available to be used within one year:	
Net Assets with Donor Restrictions	3,626,830
Board Designated – Operating Reserve	304,139
Net Assets with Restrictions to be met within a year	<u>(1,195,700)</u>
Total assets not available for general expenditures	
Within one year:	<u>2,735,269</u>
Financial assets available for general expenditures within one year:	<u>\$ 2,394,091</u>

Springboard's Board Designated portion of its Endowment is not considered available for use within one year but could be available for use with a board resolution.

As part of Springboard's liquidity plan, Springboard has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.