

Springboard for the Arts

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2020 and 2019



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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, 2020 and 2019, 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, 2020 and 2019, 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
January 28, 2021

SPRINGBOARD FOR THE ARTS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 280,874	\$ 2,179,353	\$ 2,460,227	\$ 469,832	\$ 478,695	\$ 948,527
Government Grants	91,542	30,000	121,542	90,631	30,000	120,631
Capital Campaign	-	1,063,048	1,063,048	-	2,042,200	2,042,200
Program Fees	415,407	-	415,407	395,696	-	395,696
Other Income	9,021	-	9,021	8,708	-	8,708
Net Assets Released from Restrictions:						
Satisfaction of Time Restrictions	322,500	(322,500)	-	325,000	(325,000)	-
Satisfaction of Program Restrictions	2,062,879	(2,062,879)	-	1,030,995	(1,030,995)	-
Satisfaction of Capital Restrictions	2,815,361	(2,815,361)	-	425,146	(425,146)	-
Total Support and Revenue	5,997,584	(1,928,339)	4,069,245	2,746,008	769,754	3,515,762
Expense:						
Program Services:						
Community Development	1,640,058	-	1,640,058	436,427	-	436,427
Fergus Falls	430,042	-	430,042	322,998	-	322,998
Incubator	93,074	-	93,074	94,092	-	94,092
Artist Resources	551,496	-	551,496	623,058	-	623,058
National Program	171,602	-	171,602	127,805	-	127,805
General Program	25,480	-	25,480	24,805	-	24,805
Total Program Services	2,911,752	-	2,911,752	1,629,185	-	1,629,185
Support Services:						
Management and General	133,358	-	133,358	163,990	-	163,990
Fundraising	268,132	-	268,132	214,348	-	214,348
Total Support Services	401,490	-	401,490	378,338	-	378,338
Total Expense	3,313,242	-	3,313,242	2,007,523	-	2,007,523
Change in Net Assets	2,684,342	(1,928,339)	756,003	738,485	769,754	1,508,239
Net Assets - Beginning of Year	1,396,223	3,626,830	5,023,053	657,738	2,857,076	3,514,814
Net Assets - End of Year	\$ 4,080,565	\$ 1,698,491	\$ 5,779,056	\$ 1,396,223	\$ 3,626,830	\$ 5,023,053

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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020						
	Program Services						
	Community Development	Fergus Falls	Incubator	Artist Resources	National Program	General Program	Total Program Services
Salaries	\$ 243,853	\$ 183,250	\$ 62,439	\$ 254,980	\$ 81,921	\$ -	\$ 826,443
Employee Benefits	37,436	23,637	7,121	37,683	21,037	-	126,914
Payroll Taxes	17,729	13,296	4,432	18,467	5,910	-	59,834
Total Personnel Costs	299,018	220,183	73,992	311,130	108,868	-	1,013,191
Grant Expense	986,971	-	-	-	-	-	986,971
Professional Services	304,649	88,482	10,305	182,252	34,788	12,237	632,713
Capital Campaign Expense	-	-	-	-	-	-	-
Occupancy	7,288	39,222	680	12,525	2,039	476	62,230
Meals and Entertainment	6,145	33,645	66	3,408	660	2,958	46,882
Travel and Conferences	7,552	15,347	1,248	4,815	8,599	194	37,755
Telephone and Communication	7,573	7,923	1,538	9,947	4,400	139	31,520
Printing and Copying	2,516	5,160	197	12,259	2,783	126	23,041
Supplies	3,999	8,471	909	4,117	924	-	18,420
Miscellaneous	37	2,245	-	896	3,182	1,488	7,848
Community Emergency Relief Projects	8,744	-	-	1,800	-	-	10,544
Advertising and Marketing	686	412	-	1,211	459	6,186	8,954
Insurance	1,202	1,202	1,202	1,202	1,202	-	6,010
Equipment Repairs and Maintenance	-	4,472	-	1,357	-	-	5,829
Postage	481	34	-	1,871	554	21	2,961
Professional Development	310	495	220	-	60	1,655	2,740
Bank Charges and Interest Expense	419	281	249	238	616	-	1,803
Depreciation	2,468	2,468	2,468	2,468	2,468	-	12,340
Total Expense	<u>\$ 1,640,058</u>	<u>\$ 430,042</u>	<u>\$ 93,074</u>	<u>\$ 551,496</u>	<u>\$ 171,602</u>	<u>\$ 25,480</u>	<u>\$ 2,911,752</u>

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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020			2019		
	Program Total Program Services	Support Services		Total Support Services	Total All Services	Total All Services
	Management & General	Fund- raising				
Salaries	\$ 826,443	\$ 61,379	\$ 138,605	\$ 199,984	\$ 1,026,427	\$ 974,019
Employee Benefits	126,914	11,771	3,349	15,120	142,034	129,165
Payroll Taxes	59,834	4,432	9,603	14,035	73,869	69,516
Total Personnel Costs	1,013,191	77,582	151,557	229,139	1,242,330	1,172,700
Grant Expense	986,971	-	-	-	986,971	11,675
Professional Services	632,713	31,729	-	31,729	664,442	396,540
Capital Campaign Expense	-	-	116,575	116,575	116,575	112,014
Occupancy	62,230	1,504	-	1,504	63,734	65,562
Meals and Entertainment	46,882	1,608	-	1,608	48,490	25,986
Travel and Conferences	37,755	300	-	300	38,055	46,486
Telephone and Communication	31,520	1,757	-	1,757	33,277	27,742
Printing and Copying	23,041	271	-	271	23,312	27,095
Supplies	18,420	1,919	-	1,919	20,339	24,620
Miscellaneous	7,848	9,234	-	9,234	17,082	53,516
Community Emergency Relief Projects	10,544	-	-	-	10,544	-
Advertising and Marketing	8,954	500	-	500	9,454	9,637
Insurance	6,010	1,174	-	1,174	7,184	10,433
Equipment Repairs and Maintenance	5,829	-	-	-	5,829	1,471
Postage	2,961	1,857	-	1,857	4,818	3,490
Professional Development	2,740	908	-	908	3,648	6,186
Bank Charges and Interest Expense	1,803	545	-	545	2,348	1,630
Depreciation	12,340	2,470	-	2,470	14,810	10,740
Total Expense	\$ 2,911,752	\$ 133,358	\$ 268,132	\$ 401,490	\$ 3,313,242	\$ 2,007,523

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

	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	\$ 165,403	\$ 158,884	\$ 61,631	\$ 359,881	\$ 63,538	\$ -	\$ 809,337	\$ 81,115	\$ 83,567	\$ 164,682	\$ 974,019
Employee Benefits	21,050	21,050	8,671	44,571	8,672	-	104,014	12,640	12,511	25,151	129,165
Payroll Taxes	11,867	11,818	4,866	25,026	4,817	-	58,394	4,866	6,256	11,122	69,516
Total Personnel Costs	198,320	191,752	75,168	429,478	77,027	-	971,745	98,621	102,334	200,955	1,172,700
Grant Expense	-	-	-	11,675	-	-	11,675	-	-	-	11,675
Professional Services	175,746	58,001	9,818	100,445	27,618	12,000	383,628	12,912	-	12,912	396,540
Capital Campaign Expense	-	-	-	-	-	-	-	-	112,014	112,014	112,014
Occupancy	8,181	33,922	2,228	16,773	2,229	-	63,333	2,229	-	2,229	65,562
Meals and Entertainment	12,658	3,416	190	6,557	1,397	1,551	25,769	217	-	217	25,986
Travel and Conferences	14,818	13,118	1,770	5,583	6,285	1,381	42,955	3,531	-	3,531	46,486
Telephone and Communication	3,822	6,506	1,246	11,101	1,525	-	24,200	3,542	-	3,542	27,742
Printing and Copying	3,772	3,606	312	13,035	3,813	2,245	26,783	312	-	312	27,095
Supplies	11,341	5,508	468	6,103	567	81	24,068	552	-	552	24,620
Miscellaneous	3,876	2,208	-	15,497	1,270	1,241	24,092	29,424	-	29,424	53,516
Community Emergency Relief Projects	-	-	-	-	-	-	-	-	-	-	-
Advertising and Marketing	567	273	-	1,851	1,110	5,836	9,637	-	-	-	9,637
Insurance	343	343	342	343	342	-	1,713	8,720	-	8,720	10,433
Equipment Repairs and Maintenance	433	100	-	938	-	-	1,471	-	-	-	1,471
Postage	7	354	1	601	314	465	1,742	1,748	-	1,748	3,490
Professional Development	582	1,930	558	1,118	1,998	-	6,186	-	-	-	6,186
Bank Charges and Interest Expense	171	171	201	170	520	5	1,238	392	-	392	1,630
Depreciation	1,790	1,790	1,790	1,790	1,790	-	8,950	1,790	-	1,790	10,740
Total Expense	\$ 436,427	\$ 322,998	\$ 94,092	\$ 623,058	\$ 127,805	\$ 24,805	\$ 1,629,185	\$ 163,990	\$ 214,348	\$ 378,338	\$ 2,007,523

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

SPRINGBOARD FOR THE ARTS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 1,573,900	\$ 1,003,270
Investments	306,914	304,568
Accounts Receivable	17,259	98,999
Grants and Pledges Receivable- Non Capital Campaign	439,691	1,331,127
Grants and Pledges Receivable - Capital Campaign	754,500	640,000
Prepaid Expense	21,186	51,047
Total Current Assets	3,113,450	3,429,011
Noncurrent Assets:		
Cash - Restricted for Capital Campaign	554,959	1,624,245
Grants and Pledges Receivable- Non Capital Campaign - Net	242,151	-
Grants and Pledges Receivable - Capital Campaign - Net	150,000	127,151
Investments	205,678	204,849
Property and Equipment - Net	3,443,916	1,762,617
Security Deposit	1,963	1,963
TOTAL ASSETS	\$ 7,712,117	\$ 7,149,836
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 36,094	\$ 29,562
Notes Payable - Current Portion	45,914	51,509
Payroll Taxes Accrued and Withheld	223	33,052
Accrued Salaries	28,019	35,138
Deferred Revenue	-	28,377
Fiscal Sponsorship	615,241	497,071
Total Current Liabilities	725,491	674,709
Note Payable - Long Term Portion	1,207,570	1,452,074
TOTAL LIABILITIES	1,933,061	2,126,783
Net Assets:		
Without Donor Restrictions:		
Undesignated	3,627,604	1,092,084
Board Designated	452,961	304,139
Total Without Donor Restrictions	4,080,565	1,396,223
With Donor Restrictions	1,698,491	3,626,830
Total Net Assets	5,779,056	5,023,053
TOTAL LIABILITIES AND NET ASSETS	\$ 7,712,117	\$ 7,149,836

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, 2020 AND 2019

<u>Increase (Decrease) in Cash and Restricted Cash</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 756,003	\$ 1,508,239
Total Adjustments	<u>(225,770)</u>	<u>(1,440,087)</u>
Net Cash Provided by Operating Activities	530,233	68,152
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(1,704,489)	(218,718)
Proceeds from Sale of Investments	305,781	-
Purchases of Investments	<u>(305,781)</u>	<u>-</u>
Net Cash (Used) by Investing Activities	(1,704,489)	(218,718)
Cash Flows from Financing Activities:		
Proceeds from the Issuance of Notes Payable	205,300	-
Principal Payments on Notes Payable	(455,399)	(4,186)
Proceeds from Capital Campaign Contributions	<u>925,699</u>	<u>1,635,811</u>
Net Cash Provided by Financing Activities	<u>675,600</u>	<u>1,631,625</u>
Net Increase (Decrease) in Cash and Restricted Cash	(498,656)	1,481,059
Cash and Restricted Cash - Beginning of Year	<u>2,627,515</u>	<u>1,146,456</u>
Cash and Restricted Cash - End of Year	<u>\$ 2,128,859</u>	<u>\$ 2,627,515</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid For:		
Interest	<u>\$ 56,169</u>	<u>\$ 70,276</u>

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

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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's Artist Resources programming encompasses professional development resources for artists, economic opportunity programs, access to health and legal resources, and physical Resource Centers. In FY20 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. Our A/V Closet allows artists to check out arts technology such as cameras and lights. We've continued our legal referral service, connecting 127 artists with one-on-one attorney referrals in FY20. Springboard's 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 and resource distribution, Springboard offered 216 healthcare referrals in FY20. The Emergency Relief Fund (ERF) provided small monetary support for hundreds of artists who have career-threatening emergencies or to use their art to respond to community emergencies. ERF was temporarily expanded in FY20 to help meet the immediate economic needs of artists facing lost income due to the COVID-19 pandemic. In FY20 Springboard's Professional Development programs served 2,867 individual artists and community members through workshops, one-on-one consulting and participation at leading conferences both locally and nationally. Springboard presented: 109 workshops on business skills for artists and professional development, 270 individual consultations, and presented at conferences locally and nationally highlighting our content, artist services, and mission. In FY20, Springboard continued to expand our pool of Artist Career Consultants and Work of Art workshop facilitators to reach broader communities, audiences and partners.

Incubator – Springboard's 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 FY20 we managed over \$1.1 million in revenues for the 219 artist-led projects in the program during that period.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 FY20, we directly supported over 120 artists to implement projects or activities, and trained (half day to 2 day long workshops) 100 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 600 community development professionals (approximately 25% artists) through conference and other presentations.

Fergus Falls –In FY20 our Fergus Falls office provided professional training and consultations, a resource center, legal and healthcare resources to approximately 530 artists, and community development training for 53 artists through Artists on Main Street. In addition, 8 artists in our Hinge Arts residency program reached approximately 554 community members through presentations, events and outreach activities, and the Rural Arts and Culture Summit reached 372 community members. We also provided community development presentations and workshops to approximately 749 community, state and national leaders.

National Program – Springboard’s’ National program includes Creative Exchange, an online network of support for artists and arts organizations through replication toolkits and artist project profiles, as well as national trainings and consulting work. Replication toolkits include Springboard programs such as Work of Art, a Handbook for Artists Working in Community, guides to creative place making, Community Supported Art, Artists’ Health Fair and Artist-led Community Development, as well as partner toolkits around artist-led, community projects. Creative Exchange facilitates building networks through organizing convening and supporting the commission of new toolkits. Since its launch in March 2014, Creative Exchange has published over 460 artist profiles & special features, and shared over 12,000 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, program and project management consulting, and workshops nationally.

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.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

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.

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.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Continued)

Government Grants and Contracts

Government grants and contract funds are recorded as contributions. 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.

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.

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).

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.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

SPRINGBOARD FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

Springboard has evaluated the effect that subsequent events would have on the financial statements through January xx, 2021, which is the date financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary closing of organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, Springboard expects this matter to potentially have negative impact on its operating results, but reasonable estimates cannot be made at this time.

New Accounting Pronouncement

Springboard has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standards improve the usefulness and understandability of Springboard's financial reporting.

Springboard has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way Springboard recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Both ASUs have been applied retrospectively for the periods ended June 30, 2020 and 2019, 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, 2020 and 2019, Springboard held funds at a local financial institution in excess of federally insured limits.

3. 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.

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4. Investments

Springboard held the following investments as of:

	June 30,			
	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	<u>\$ 500,000</u>	<u>\$ 512,592</u>	<u>\$ 500,000</u>	<u>\$ 509,417</u>

Investment income was as follows as of:

	June 30,	
	2020	2019
Interest Income	<u>\$ 3,312</u>	<u>\$ 2,398</u>

5. Major Sources of Support and Revenue

Major sources of support and revenue (net of discounts) were as follows for the year ending June 30, 2020:

Bush Foundation	\$ 1,089,000
Anonymous Donor	500,000
The Metropolitan Council	392,500
Ecolab Foundation	290,000

6. Grants Receivable

The outstanding balance of grants receivable as of June 30, 2020 is expected to be collected over the following fiscal years:

Grants Receivable:	
Portion Due Within One Year	\$ 1,194,191
Long-Term Portion	400,000
Total Grants Receivable	1,594,191
Less Discount at 4%	7,849
Net Grants Receivable	1,586,342
Current Portion-Net	1,194,191
Long-term Portion-Net	<u>\$ 392,151</u>

7. Pension Plan

Springboard maintains a Simple Individual Retirement Account plan that covers those employees who meet eligibility requirements. Employer contributions of \$22,865 and \$22,948 were made for the years ending June 30, 2020 and 2019, respectively.

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8. Property and Equipment

Springboard owned the following property and equipment as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2020</u>	<u>2019</u>	
Building	\$ 3,403,809	\$ 1,730,778	39 years
Furniture and Equipment	86,952	138,217	5 - 10 years
Leasehold Improvements	-	198,678	3 - 10 years
	<u>3,490,761</u>	<u>2,067,673</u>	
Less Accumulated Depreciation	<u>46,845</u>	<u>305,056</u>	
	<u>\$ 3,443,916</u>	<u>\$ 1,762,617</u>	

Depreciation expense of \$14,810 and \$10,740 was recorded for the years ended June 30, 2020 and 2019, respectively.

9. Net Assets With Donor Restrictions

Net Assets With Donor Restrictions consisted of amounts for the following as of:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Community Programs	\$ 842,151	\$ 208,333
Capital Campaign	345,000	2,089,464
Enhancing Arts Infrastructure	175,000	500,000
Future Year Operations	85,500	412,500
Health Programs	83,333	183,333
Artist Readiness Project	51,107	-
Rural Arts and Culture Summit	50,000	90,000
Art Fellowships	46,400	113,200
MN Disaster Recover Fund	20,000	-
Arts Access	-	30,000
	<u>\$ 1,698,491</u>	<u>\$ 3,626,830</u>

10. Designated Net Assets

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash Reserve Fund	<u>\$ 452,961</u>	<u>\$ 304,139</u>

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11. 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,	
	2020	2019
Rent Expense	11,100	11,100
Professional Fees and Materials	4,615	-
Total In-Kind Contributions	\$ 15,715	\$ 11,100

12. 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 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.

13. Cash and Restricted Cash

The following provides a reconciliation of cash and restricted cash reported within the statement of financial position that total the sum reported on the statement of cash flows as of:

	June 30,	
	2020	2019
Cash	\$ 1,573,900	\$ 1,003,270
Cash – Restricted for the Capital Campaign	554,959	1,624,245
Total Cash and Restricted Cash	\$ 2,128,859	\$ 2,627,515

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14. Notes Payable

The breakdown of notes payable is as follows:

	June 30,	
	2020	2019
4.375 % Note payable to Old National Bank with maturity date of 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.	\$ 1,023,184	\$ 1,036,580
Old National Bank Paycheck Protection Plan loan. Interest rate is 1%. The maturity date of the loan is 4/18/2022.	205,300	-
Note Payable to LISC with a 1/21/20 maturity. The terms of repayment are currently being worked out.	25,000	25,000
5.5% Note payable to Propel with a maturity on 5/1/23. The loan was paid in full in November 2019.	-	442,003
Less Portion Due Within One (1) Year	<u>45,914</u>	<u>51,509</u>
Long-term Portion	<u>\$ 1,207,570</u>	<u>\$ 1,452,074</u>

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2021	\$ 45,914
2022	230,177
2023	<u>977,393</u>
Total	<u>\$ 1,253,484</u>

15. Leasing Commitments

Rental commitments under noncancelable leases for office space in effect at June 30, 2020, totaled \$13,042. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2021	\$ 7,488
2022	<u>5,554</u>
Total	<u>\$ 13,042</u>

Rental expense was \$60,777 and \$62,149 for the years ended June 30, 2020 and 2019, respectively.

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16. Liquidity and Availability

The following represents the Springboard's financial assets at:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$ 2,128,859	\$ 2,627,515
Investments	306,914	304,568
Accounts Receivable	17,259	98,999
Grants Receivable	<u>1,576,342</u>	<u>2,098,278</u>
Total Financial Assets	4,029,374	5,129,360
Less: Assets Not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	1,698,491	3,626,830
Board Designated – Operating Reserve	452,961	304,139
Net Assets with Restrictions to be met within a year	<u>(800,090)</u>	<u>(1,195,700)</u>
Total Assets Not Available for General Expenditures Within One Year:	<u>1,351,362</u>	<u>2,735,269</u>
Financial Assets Available for General Expenditures Within One Year:	<u>\$ 2,678,012</u>	<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.

17. Notes Payable

On April 18, 2020, Springboard received a loan (the "Loan") from Old National Bank in the aggregate amount of \$205,300, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

The Loan, which was in the form of a Note dated April 18, 2020 issued by the Borrower, matures on April 18, 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on November 23, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties.

The payment terms on all PPP loans changed with the signing of the Flexibility Act on June 5, 2020, and payments are now deferred for 10 months after the borrower's covered period, i.e. either 12 or 16 months from origination. In addition, if a borrower applies for forgiveness before the end of the 10 month deferral period, then payments continue to defer until a decision on the forgiveness is returned from the SBA.

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17. Notes Payable (Continue)

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In accordance with these Loan forgiveness terms, funds from the Loan were used by Springboard for payroll costs, group health care and retirement benefits, and rent.

If the Loan is 100% forgiven, then no payments will be due from Springboard. If Springboard does not receive 100% forgiveness, there will be a loan modification at the time of the decision which will communicate the repayment terms of the remaining loan balance. Springboard has elected to carry the Loan as debt on its statements of financial position as of June 30, 2020 per FASB ASC 470.

18. Compensated Absences

Employees of Springboard are entitled to paid vacation and sick time under Springboard's flexible vacation policy. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. Springboard's policy is to recognize these costs when actually paid to employees.

19. Cash Flow Operating Adjustments

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Depreciation	\$ 14,810	\$ 10,740
Capital Campaign Contributions	(1,063,048)	(2,042,200)
Grants and Pledges Receivable- Non Capital Campaign	(242,151)	640,698
Realized (Gain) on Investments	(3,175)	(2,360)
Loss on Disposal of Property and Equipment	8,380	-
Increases (Decreases) in Current Liabilities:		
Accounts Payable	6,532	11,971
Payroll Taxes Accrued and Withheld	(32,829)	2,093
Accrued Salaries	(7,119)	20,591
Deferred Revenue	(28,377)	20,876
Fiscal Sponsorship	118,170	2,101
Decreases (Increases) in Current Assets:		
Accounts Receivable	81,740	(40,210)
Grants and Pledges Receivable- Non Capital Campaign	891,436	(42,071)
Prepaid Expense	29,861	(22,316)
Total Adjustments	<u>\$ (225,770)</u>	<u>\$ (1,440,087)</u>