

INCUBATOR FISCAL SPONSORSHIP PROGRAM MANUAL

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ABOUT THE PROGRAM

Springboard's Incubator program is designed to provide fiscal sponsorship and other services for small arts and cultural organizations (an entity with an ongoing mission) and artist projects (a collaboration or undertaking with a limited scope or time-period)¹. Many of our projects' eventual goals include becoming their own separate tax-exempt organization, though many others just want a way to solicit funds for a single project or event. We have fiscally sponsored organizations with budgets as low as a few hundred dollars and as large as \$100,000+. We currently sponsor more than 200 projects.

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

Eligibility

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

- Have an arts-based mission
- Be based in Minnesota or producing a project in Minnesota
- Apply funds raised toward non-profit purposes. Funds should not be used for the purpose of influencing legislation, such as funding lobbying. (Note that this is in reference to the use of the funds themselves and does not prevent a non-profit from doing general advocacy, either on behalf of their organization or of the arts in general.)

We strongly suggest that prospective Incubator projects set up a checking account in the project's name. It will help your project run more efficiently day-to-day and stay organized during tax season. (For more information on how to do this, see Vendors, Taxes, and Reimbursement on Page 10.)

Creative Control and Intellectual Property

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

Application Process

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

Total time from application to approval is approximately 4-6 weeks. For fastest response time, submit applications before the 15th of each month. New applications are reviewed and approved by a selection committee and are subject to approval by Springboard for the Arts' Board of Directors.

¹ We'll refer to both types as "Incubator Projects" throughout this manual.

Program Fees

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

\$0.00	It's free to apply to the Incubator program.
\$60.00 - \$120.00	Our annual program fee, charged at admittance into the program and every year at your renewal, is sliding scale. We ask folks to pay what they feel they're able within this window.
7%	Administrative fee from any check, cash, ACH, or credit card deposits that Springboard manages on your behalf.
8.5%	The average fee charged for online donations. GiveMN.org charges a 6.9% fee (though they also allow donors to cover their fee, and donors tend to do so roughly 50% of the time). Springboard then charges a 5% administration fee on GiveMN.org donations, which is calculated on the net amount.
0%	Springboard does not take an administrative percentage of the value of in-kind donations.

Recommended Steps Upon Receiving Approval

To simplify the process of keeping track of your project's income and expenses, we highly recommend setting up a checking account in your organization's name that is separate from your personal checking account(s). You can register a new business (such as a single member LLC or nonprofit corporation) or set up an Assumed Name for your business through the Secretary of State (<https://mblsportal.sos.state.mn.us/Business/Search>), then apply for a Tax ID from the IRS (<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>). At that point you'll be able to open a business checking account at the bank of your choice. Be sure to let us know if you change your business structure, though, as that determines the framing of your fiscal sponsorship contract, so we might need to draft a new one.

If your organization is managing a significant amount of income and plans to eventually file to become a 501(c)(3), we recommend incorporating as a nonprofit with the state of Minnesota. This is the first step towards becoming a 501(c)(3) non-profit with the federal government, but you're not required to file your federal paperwork immediately (The IRS would expect your application for 501(c)(3) status within 18 months). Filing with the state of Minnesota includes a fee of \$75.00 and takes some extra paperwork, but it allows you to have a business checking account separate from any individual tax liability to pay for project expenses.

Please note that Springboard's General Liability insurance, Workers Compensation insurance, and Director and Officers insurance policies do not cover our fiscally sponsored projects/organizations. We'd recommend looking for an insurance policy or set of policies that best fits the work you're going to do and your current scale. We have an insurance guide on our website that will give you an idea of the types of insurance available and their associated cost: <https://springboardforthearts.org/additional-resources/insurance-guide/>

Renewal

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

SOLICITING FUNDS

Donated Income vs. Earned Income

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

Donations

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

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

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

We strongly advise against the solicitation of “non-tax deductible” donations made directly to the project. Even if your donor says they do not want the deduction, they could easily change their mind come tax time. Most people will assume a donation is tax-deductible, so the situation is ripe for confusion. You don’t want to create bad blood with your donors.

Donor Advised Funding

“Donor advised funding” refers to donations made by an individual who has direct control over how the donated money is spent. The most common version of this for Incubator projects is when a project director wants to make an initial donation to get the ball rolling on their project. Springboard must

consider these transfers of funds rather than donations unless the individual is able to recuse themselves from decisions over how those funds will be spent.

Partially Deductible Donations

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

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

Another common form of partially deductible donation is the purchase of silent auction items. In that case, the tax-deductible portion is any amount paid over and above the stated value of the item. Unfortunately, the entire payment will need to go through Springboard, even if it's only partially deductible.

In-Kind Donations

An in-kind donation is a donation not of cash, but of goods that will benefit your organization, such as office equipment or items for a silent auction. Donations of property are fully deductible, but the donor must determine the value. Contact Springboard in advance of accepting in-kind donations if the donated item's value is larger than \$1,000. Springboard does not take an administrative percentage of the value of in-kind donations, so you're responsible for requesting acknowledgement letters for all in-kind donors. You can do so through the form that's linked on your account page. Please note that Springboard cannot process vehicle donations.

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

Matching Donations

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

Online Donations

Online donations must be made through GiveMN.org, a site that is specifically designed for nonprofit organizations. A step-by-step guide to set up a fundraising page is available as a pdf on your account page (<http://springboardforthearts.org/grants-funding/incubator/account-page/>).

GiveMN.org charges a 6.9% fee for processing donations online, though it offers donors the chance to cover that admin fee. Donors have tended to cover GiveMN's administrative fee a little more than 50% of the time. Springboard lowers our administration fee to 5% to help offset this cost, and further reduces the impact by calculating the admin fee on the net amount. You can anticipate 8.5% in fees being deducted from online donations on average, all told. Because other platforms – such as Kickstarter, Indie GoGo, and Hatchfund -- are not set up to accommodate fiscally sponsored projects, Incubator projects cannot use them to solicit tax-deductible donations. These other platforms also charge higher fees than GiveMN.org.

Credit Card Donations

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

Sponsorship vs. Advertising

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

Grants

Grants can be a major source of income for your project. A main benefit of fiscal sponsorship is that you are eligible for more kinds of funding than you would be as an individual artist or for-profit business. However, there are more restrictions on granting through a fiscal sponsor than through a separate tax-exempt organization. For legal reasons, Springboard must be made aware of any grant proposals you plan to submit that require your fiscal sponsorship. Springboard reserves the right to refuse to manage funding from proposals that we did not endorse.

You are open to apply for government funding through the Minnesota State Arts Board, the Regional Arts Councils, and other subsidiary government agencies, but our fiscally sponsored projects are prohibited from soliciting their legislators for direct appropriations from the state.

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

If a grantor does accept fiscally sponsored projects, they will almost always require a letter of support or other supporting documentation from Springboard that outlines our relationship to your project and our

financial status. The grantor may also request additional documents from Springboard. You can request letters of support and other materials on your Account Page (<http://springboardforthearts.org/grants-funding/incubator/account-page/>).

To avoid rush fees, contact us no less than one week (5 business days) before your grant proposal is due. This time is necessary to prepare materials you may need, including letters of support. Requests made fewer than 5 business days in advance are subject to a \$75 rush fee. Requests made fewer than 2 business days in advance may not be fulfilled.

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

If you plan to submit a grant application that will utilize your fiscal sponsorship, but the grantor does not require a letter of support or other materials, you still need to notify us of your plans. You can do so by sending us an email (incubator@springboardforthearts.org).

Charitable Gambling

Due to licensing requirements and legal complexities, fiscal sponsor projects are not permitted to raise funds via charitable gambling. That includes raffles and bingo.

Donor Acknowledgment

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

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

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

Option 2: Springboard can write the acknowledgement letter for you if you complete the form available on your account page (<https://springboardforthearts.org/grants-funding/incubator/account-page/>). You'll need to know donation amounts, names, email addresses, and mail addresses of those you would like to receive acknowledgement letters before you complete the form.

Acknowledgements for donations through GiveMN.org are done automatically; Springboard does not send out any additional material for these donations.

MANAGING YOUR FUNDS

Deposits

If you are running a campaign aimed at individual donors, you can collect checks and drop them off or mail them to Springboard (262 University Ave. W. St. Paul, MN 55103). Do not instruct your donors to mail funds to Springboard directly. We sponsor over 200 projects, many of which have the same donors. Having checks sent in by the project head helps us make sure your funds are credited properly.

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

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

We can accept deposit donations made via check, cash, credit card, or GiveMN.org (see pages 6 and 7 for more information on the last two methods). Some things to keep in mind:

1. Checks must be made out to "Springboard for the Arts." The memo line must include your project name.
2. We cannot accept checks made out to your project's name or [Your Project] / Springboard for the Arts. Please make sure your project name is in the memo line.
3. We can deposit cash, but it must be dropped off at Springboard's office directly and we can write acknowledgement letters only if the donor has provided all relevant contact information to you and received a detailed receipt at the time of the gift. We'll need a copy of that same receipt as well.

What happens to funds that are deposited with Springboard?

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

Payment Requests

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

<https://springboardforthearts.org/grants-funding/incubator/account-page/>

Requests received by Monday at noon will be mailed, issued by direct deposit, or picked-up at noon on Thursday. Anything received after Monday at noon will be included in the following week's batch. Springboard will only cut checks to the project itself or the project head. We cannot issue payments to third parties. You are not required to hold a minimum balance in your Springboard account.

Payment requests will be honored only if:

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

Vendors, Taxes, and Reimbursement

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

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

Reports

Financial statements are issued by email every week on Thursday and include a full, up-to-date history of activity, including deposits, deducted administrative fees, and payment requests. Projects or Organizations that have yet to receive an initial deposit will not receive these weekly reports.

OTHER PROGRAM BENEFITS AND SERVICES

Project Communication

You can reach us by email at incubator@springboardforthearts.org or by phone at 651-789-0163. Email is Springboard's primary communications tool with fiscal sponsor projects, but we're happy to communicate via post or phone if that's preferable. We'll let you know of renewal deadlines, useful workshops, and upcoming grants and opportunities.

Springboard Discounts

Springboard offers one free job or internship posting on our job board a year to Incubators. We also offer one free consultation a year for each project. For more information, email incubator@springboardforthearts.org.

Meeting Space

Springboard's conference room and event spaces are available at a discounted rate for sponsorship

project group meetings or events. Contact Cassie (cassie@springboardforthearts.org) for pricing and availability.

Springboard's A.V. Closet

The A.V. Closet will allow artists and individuals enrolled in the Incubator program (along with several other Springboard programs) the opportunity to borrow cameras, lighting equipment, projectors and other AV equipment for up to 3 days at no charge. If you'd like to set up an account to use the A.V. Closet, you can do so here: <https://springboard.myturn.com/library/>

FISCAL SPONSORSHIP REMINDERS

DO:

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

DO NOT:

1. Use Springboard's EIN or Tax Exemption Certificate without our knowledge or consent. No consent will be given for any purpose that does not align with Springboard's mission.
2. Re-grant money from your fund to another entity.
3. Record and keep credit card information from your donors.
4. Use contributed funds for anything outside your stated project.
5. Use Springboard's name or information to register for services or accounts.
6. Apply for exemption from sales tax. With rare exceptions, Springboard's exemption from Minnesota sales tax does not extend to fiscally sponsored projects.
7. Solicit your state or federal legislators for government funds through direct appropriation.

OTHER FISCAL SPONSORSHIP RESOURCES AND PROGRAMS

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

Fractured Atlas

Fractured Atlas is a national arts service organization based in New York with many great professional development services for artists, including fiscal sponsorship. You can find out more at:

<https://www.fracturedatlas.org/>

Independent Filmmaker Project

The Gotham Film & Media Institute's fiscal sponsorship program is exclusively for creative, artistic and/or educational film, video, and transmedia projects, giving filmmakers the benefit of Gotham's focused experience and reputation in the field. You can find out more at: <https://fiscal.thegotham.org/>

Intersection for the Arts Incubator

The Intersection for the Arts Incubator Program provides developmental support to San Francisco and Bay Area artists and arts organizations including fiscal sponsorship/project incubation:

<https://theintersection.org/get-support/fiscal-sponsorship/>

Fiscal Sponsorship Directory

A national directory of nonprofits offering fiscal sponsorship: <http://www.fiscalsponsordirectory.org>

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

Gregory is an attorney and legal authority on fiscal sponsorship. His book is available for order at <http://www.fiscalsponsorship.com>.

Tides Center

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

Propel Nonprofits

Another Twin Cities based organization that provides reliable infrastructure and financial and regulatory oversight, plus ongoing training and support as a part of their fiscal sponsorship program:

<https://www.propelnonprofits.org/fiscal-sponsorship/>

FilmNorth

A Twin Cities based organization that provides fiscal sponsorship for media artists and their projects: <http://myfilmnorth.org/fiscal-sponsorship/>