

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

**Springboard Fiscal Sponsorship Program Manual**

In addition to this manual, there's a lot of information in the Fiscal Sponsorship FAQ on our website here:

<http://www.springboardforthearts.org/Services/FiscalSponsorship.asp>

You can also always give Caly a call at 651-789-0163 or email [caly@springboardforthearts.org](mailto:caly@springboardforthearts.org). We're happy to answer questions.

If you have already applied and been approved, congratulations and welcome!

First thing's first- if you haven't done so already, please review, sign, and return the contract in your packet, and the signature page at the back of this manual. Let us know if you have any questions. We cannot process any funds on your behalf without a signed contract. You can also get advice from Springboard and other program participants in the Springboard Sponsors Google Group – you will automatically be added to the group when your application is approved.

*Manual updated 10/2010*

## **Springboard Fiscal Sponsorship Program Manual**

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### **About the program**

Springboard's Fiscal Sponsorship Program is designed to be an incubator for small arts and cultural organizations founded by individual artists, as well as some projects of individual artists. Many of our clients' 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 sponsored organizations with budgets as low as a few hundred dollars and as large as \$100,000. We currently sponsor over 120 projects.

### **Eligibility**

Potential applicants must have a one-on-one consultation with Springboard's Development Program Director or Executive Director. This is for us to explain the program, determine your project's fit, and answer any questions you may have about your project's fundraising and development.

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. Organizations must either be based in Minnesota or producing a project in Minnesota, and except in very specific cases, may not be organized in a for-profit business structure (LLC, S-Corp, etc.). So long as they are in compliance with our federal tax-exempt status, Springboard does not influence the content or creative aspects of sponsored projects. Copyright and ownership of intellectual property remain with the artists, and in return they must indemnify Springboard from all related liability.

### **Program Fees**

An initial consultation to determine eligibility is required, and costs \$45. There is a one-time, nonrefundable application fee of \$40. If you are accepted into the program, we take a 7% administrative fee from any funds that we manage on your project's behalf. The fiscal sponsorship program is part of our charitable mission: this fee covers about half its administrative cost.

### **Application Process**

The application can be downloaded on our website here:

<http://www.springboardforthearts.org/Services/FiscalSponsorship.asp>

Applications are due before the 15<sup>th</sup> of each month. New applications are reviewed and approved by Springboard's Executive Director and Board of Directors before the next deadline.

Through your application we want to get a sense of your programming, the size and scope of your project, where you are in the organizational process, and how your project is a mission fit with Springboard- eligibility has less to do with relative size or experience.

### **Sponsorship Status: Active, Inactive, and Closed**

Once an application is approved and a contract is signed and returned, the file is considered **Inactive**. Files are **Active** once Springboard is managing any funds on a client's behalf. **Closed** files are projects that have no intention of further programming, have achieved separate tax-exempt status, or are otherwise no longer a good fit with the program. If there is no account activity in 6 months, accounts will be considered Inactive. If an account is Inactive, we may require a short organizational report before processing additional funds or providing other services. Accounts with no activity or client contact for 12 months will be considered Closed. Any remaining balance not requested for programmatic activities will be absorbed to the sponsorship program. Sponsorship contracts are at-will and can be terminated by either party with 30 days notice.

### **Soliciting Funds**

#### **Donated Income vs. Earned Income**

The only funds that legally must come through a fiscal sponsor are donations, grants, or other funds that must be 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 do run all of their income through us to simplify their accounting, though we take an admin fee on all funds that come through us whether they are tax-deductible or not. If your organization is managing a significant amount of earned income outside of Springboard, we highly recommend incorporating as a nonprofit and setting up a separate checking account. Contact us if you need more information about the process of nonprofit incorporation.

#### **Donations**

By using a fiscal sponsor, donations to your project can be tax-deductible for your donors, but you must follow certain guidelines! You must properly identify your relationship with Springboard. Because donations to fiscal sponsorship clients are officially made to us, **Springboard must approve any funding or donations you are soliciting** to make sure they follow legal guidelines. The following is a sample 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.*

Contributions from individuals often make up the largest source of income for nonprofit arts organizations. Let us know if you need help with your solicitation letter or fundraising campaign.

### **Partially deductible donations**

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

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

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

### **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 value must be determined by the donor. Springboard does not take an administrative percentage of the value of in-kind donations.

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

We encourage groups interested in putting together a fundraising event to contact us during the planning stages.

**Donated services are not tax-deductible.** This includes any rent, legal, accounting, graphic design, web design or printing services. Of course, this doesn't mean you cannot receive those kinds of donated services, but 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. To receive an employer match, forward any forms to Springboard for processing. Once the matching check arrives, it will be credited to in your account. It often takes corporate matches several weeks to process before they are sent out.

### **Online Donations**

Springboard uses GiveMN for online donations. Projects may create their own fundraising pages to solicit funds. There is an additional 2.9% fee for

processing donations online. Contact Caly or Betsy for more information.

### **Credit Card Donations**

Springboard can take donations via Visa, Mastercard, or Discover, as long as we have all pertinent information: number, name, amount, date, address, and CVC code. The same 7% admin fee applies to credit card transactions. You may check out our credit card swiper with carbon forms for your event. The swiper is available on a first come, first serve basis and is not guaranteed. Please note that collecting and keeping credit card information from your donors is a serious legal risk- don't do it!

### **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 charity 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; one of the main benefits of fiscal sponsorship is being eligible for more kinds of funding than you would be as an individual or for-profit business. However, there are more restrictions on granting through a fiscal sponsor than through a separate tax-exempt organization. Many large private and corporate foundations do not grant to sponsored organizations- do your research before spending valuable time on a proposal! There are many reasons why a grantor will or will not fund sponsored organizations.

If a grantor does accept fiscal sponsors, fantastic! Grantors will almost always require an agreement letter or other supporting documentation from us about our relationship to your project, our financial status, board of directors, etc.

**Contact us at least a week before your grant proposal is due so we can prepare any materials you need.**

Again, because grants and donations to fiscal sponsorship clients are officially made to us, **Springboard must approve any funding or donations you are soliciting** to make sure they follow legal guidelines. Approval is granted either via a NEW letter of agreement for a grant proposal, or a simple text approval via email of the donation language you wish to use in your promotional or solicitation materials.

**We must be made aware of any proposals you plan to submit!**

If we don't know you have a proposal pending, it can mean your funding is misappropriated (many clients have proposals to the same grantors; without good communication money can end up in the wrong account!)

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. Springboard also reserves the right to refuse to manage funding from proposals that we did not endorse.

### **Donor Acknowledgment**

Springboard will send an acknowledgement letter to your donors, provided we have an address, and send you a copy. This will include Springboard's federal ID number and serve as a receipt for the donation. Springboard will send letters to gifts from granting organizations when checks are sent directly to our office. **If you have a large number of individual donors, you must send us a completed spreadsheet of donor contact information for them to receive an acknowledgment.** We do not have the capacity to do data entry for individual donations for every group we sponsor!

Acknowledgement for donations through GiveMN is done automatically; Springboard does not send anything additionally to donations processed through GiveMN.

### **Managing Your Funds**

You've received your first big grant or your first stack of checks from your fundraiser— Congratulations! What now?

### **Deposits**

If you are doing an individual donation campaign, collect checks and send them to Springboard with a completed deposit form- do not instruct your donors to mail funds to Springboard directly. (We sponsor many projects that often have many of the same donors. Having checks sent in by the project lead instead of directly from the donor really helps maintain quality control and makes sure everyone's money goes to the right place! It also helps you keep track of your fundraising first-hand, and prepare a spreadsheet for donor acknowledgments.) All the forms you need should be sent to you in your welcome packet, can be found in the files section of the fiscal sponsorship Google Group, or you can request copies from Caly.

Processes vary from funder to funder, but checks from grantors are often sent directly to Springboard and not to the project lead. **These we will deposit and acknowledge without any additional forms.** If you ever need to know the status of grant funds you are expecting, feel free to give us a call.

**CHECKS MUST BE MADE OUT TO SPRINGBOARD FOR THE ARTS.** We cannot accept checks made out to your project's name or [Your Project]/Springboard for the Arts, they will be sent back to you.

**Make sure your project name is in the memo line.**

We'll deposit your funds and take out our administrative fee. All fiscal sponsorship income is held in a separate checking account. The balance of your fund stays with us until you request it.

**Funds are not available until a deposit has been processed and clears the bank; this can take between a few days to two weeks.**

### **Check Requests**

To request funds, send or email us a **completed** Check Request Form. All the forms you need should be sent to you in your welcome packet, can be found in the files section of the fiscal sponsorship Google Group, or you can request copies from Caly. Additionally, the information can be duplicated in the text of an email or included as part of an attached invoice so long as **all** the information is included. To cut a check, we must have:

**The name of the requester**

**Project name**

**Email address**

**Telephone number**

**Date**

**If your project is Model A or Model C**

**Amount of request**

**Payee**

**Payee's Address**

**Payee's tax ID# or Social Security Number (or a completed W-9)**

**Brief (but specific) description of the use of the funds**

**If you want the check sent or if you want to pick it up**

...and anything else you think it would be useful for us to know! If your deposit has already cleared, the turnaround time for checks is usually between 24 and 72 hours. Please do not request funds until funds to cover your request have cleared.

**Check Requests will be honored only if they are complete, made by a signer on your organization's fiscal sponsorship contract, and the funds to cover the request have cleared.**

### **Check requests: Model A and Model C**

Fiscally sponsored projects must choose how they wish to have their funds managed. Springboard manages sponsored funds in two ways, called "Model A"

and "Model C".

**Model A** sponsorship means a project is legally a program of Springboard. Springboard holds all funds raised, and pays all the project's bills directly. Individual artists doing work on behalf of the project become independent contractors of Springboard and are issued a 1099 at the end of the tax year.

**Model C** sponsorship means that the project does not legally become a program of Springboard. Instead, Springboard becomes a "re-grantor", distributing lump sums from the sponsored account to ONE name (either a lead artist or business name - usually, but not always, an incorporated entity). Bill paying and taxes become the sole responsibility of the lead artist or business.

Model A sponsorship is generally preferable for projects that are unincorporated and/or have less experience or organizational infrastructure.

Model C sponsorship is a good choice for artists or organizations that have their own business bank account, who are (or are in the process of becoming) incorporated, and who may wish to have more direct access to their funds.

As your project or organization grows or changes, one model may suit your needs better than the other. Changing requires a new contract; contact Caly if you are interested. Depending on the circumstances, we may not be able to change your model until the beginning of the next tax year.

If you have questions about which model is the best for you, contact Caly at [caly@springboardforthearts.org](mailto:caly@springboardforthearts.org).

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

Springboard treats unincorporated fiscal sponsor clients (and the individuals that do paid work for them) as independent contractors. This means that, if you request a lump sum for an individual or unincorporated entity, we need to have a social security number and valid address (or a completed W-9 form) before we can issue any payments. Any individual who receives over \$600.00 from us will be issued a 1099 at the end of the year.

**If you receive funds to reimburse yourself for project expenses and supplies, or to pay others doing work on your behalf, you will still receive a 1099.** The onus is on you to itemize those expenses on a Schedule C (profit and loss from business) to reduce your taxable income. Save your receipts! To avoid needing to do this, you can:

- Have Springboard write checks to your vendors directly (Model A sponsorship)
- Incorporate your organization as a nonprofit- this has a filing fee of \$75 and takes some extra paperwork, but allows you to have a business checking account separate from any individual tax liability to pay for project expenses.

This is recommended, especially if you plan on forming a separate tax-exempt organization in the future.

If you need assistance with recordkeeping or tax preparation, Springboard offers artist-friendly workshops and referrals to bookkeepers and tax professionals.

Springboard is happy to offer assistance, but **proper tax reporting for your organization is ultimately your responsibility.**

### **Reports**

We can send you a detailed transaction history of your account whenever you'd like. Transaction history reports are sent via email in Xcel or.pdf format.

### **Other Program Benefits and Services**

#### **Client Community**

One of the greatest resources our fiscal sponsorship clients have is each other! We encourage groups to communicate with each other and share the experiences and challenges of running a new organization. We host an annual meeting with food and special guest presentations – this gives us a chance to find out what's working, what's not, and see what great creative projects are coming out of this program. The email group keeps everyone connected throughout the year and is an easy way for us let you know about workshops that might be useful, fiscal sponsorship client discounts, or upcoming grants and opportunities.

#### **Organizational Consultations**

Springboard for the Arts' Organizational Services staff are available to consult with arts organizations on topics such as what to think about before you start a nonprofit, tax-exempt organization; the start-up process; getting and staying legal; building and strengthening a board of directors; audience development; human resource management; marketing; fundraising planning; and how to research potential grantors and write good proposals. We facilitate Board retreats; work with staff and board members in developing strategic, long range planning; and provide other services needed by small arts and cultural organizations.

#### **Development Assistance**

We offer flat rate fees for Development consultations and other fundraising assistance. Contact [betsy@springboardforthearts.org](mailto:betsy@springboardforthearts.org) (651-294-0907).

#### **Legal Review**

If your organization is ready to file for 501(c)3 status, we can connect you with a pro-bono attorney for Articles of Incorporation and Bylaw review. Contact Laura

Zabel for more information: 651-292-3213 or [laura@springboardforthearts.org](mailto:laura@springboardforthearts.org).

**Grant Proposal Review**

We will review grant proposals for your project at no charge. Proposals must be submitted for review at least two weeks before the deadline.

**Sales Tax Exemption**

If you are a Model A sponsorship making a large capital purchase for your organization, sometimes we can provide our certificate for sales tax exemption. We require 3 days of advanced notice before the purchase to check on the legality and prepare paperwork.

**Nonprofit discounts**

Sponsorship clients may be eligible for nonprofit discounts with various vendors, depending on the terms. Springboard also offers discounts on workshops and other events for sponsorship clients.

**Meeting Space**

Springboard's conference room is available at a discounted rate for sponsorship client group meetings or events. Contact us for pricing and availability.

## **Fiscal Sponsorship Do's and Don'ts**

Fiscally sponsoring a new organization can mean taking on a great deal of legal and financial liability. This is a partial list of things to do (or avoid) to help us stay organized and on the right side of the law!

### **DO NOT:**

Use Springboard's EIN or Tax Exemption Certificate without our knowledge or consent.

Grant money from your fund to another entity.

Record and keep credit card information from your donors

Use contributed funds for anything outside your stated project

Use Springboard's name or information to register for services or accounts

### **DO:**

Be aware of your deadlines and needs – many of our clients apply for the same grants, we're not always able to accommodate last minute requests!

Fill out forms **COMPLETELY**.

Make sure donation checks are made out to Springboard with your org's name in the memo.

Make sure we're aware of the proposals you're preparing.

Keep track of your records. Springboard staff, of course, is practically perfect in every way, but in the incredibly rare event we may make a mistake, it's good to be prepared.

Talk to us while planning your fundraiser- we may be able to help!  
Share your info! If you have electronic records you can give us, your deposits and acknowledgments are likely to be processed much faster.

Be available via email – a lot of this program happens electronically.

Stay in touch! Let us know what's working and what's not. We're here to help.

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

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

### **Fractured Atlas**

Fractured Atlas is a national arts service organization based in New York with many great professional development services for artists, including fiscal sponsorship. They're also a great source for event liability insurance:

[www.fracturedatlas.org](http://www.fracturedatlas.org)

Springboard clients can get a free membership to Fractured Atlas at [www.fracturedatlas.org/springboard](http://www.fracturedatlas.org/springboard)

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

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

[www.theintersection.org/incubator/index.php](http://www.theintersection.org/incubator/index.php)

### **[www.fiscalsponsordirectory.org](http://www.fiscalsponsordirectory.org)**

A national directory of nonprofits offering fiscal sponsorship

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

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

### **Tides Center**

The Tides Center is "the nation's largest fiscal sponsor of progressive initiatives", operating over 200 projects nationwide. Their website also has resources, information, and advocacy for fiscal sponsorship:

<http://www.tidescenter.org/fiscal-sponsorship>

**Program Manual Acknowledgement**

This manual has been prepared for your information and understanding of the policies, philosophies and practices and benefits of Springboard’s Fiscal Sponsorship Program. Please read it carefully. Upon completion of your review of this manual, sign the statement on the next page, and return it to our office with your contract. A copy of this acknowledgment appears below so you have a copy to keep with this manual.

I, \_\_\_\_\_, have received and read a copy of Springboard’s Fiscal Sponsorship Program Manual, which outlines the policies, benefits and expectations of the program, as well as my responsibilities a participant.

I have familiarized myself with the contents of this handbook. By my signature below, I acknowledge, understand, accept and agree to comply with the information contained in the manual. I understand this is not intended to cover every situation which may arise during my participation, but is simply a general guide to the goals, policies, practices, benefits and expectations of the Fiscal Sponsorship Program.

\_\_\_\_\_  
(Participant signature) (Date)

\_\_\_\_\_  
(Project Name)

**Fiscal Sponsorship Program Manual Acknowledgment Page**  
(Tear this out, sign, and return with your contract.)

I, \_\_\_\_\_, have received and read a copy of Springboard's Fiscal Sponsorship Program Manual, which outlines the policies, benefits and expectations of the program, as well as my responsibilities a participant.

I have familiarized myself with the contents of this handbook. By my signature below, I acknowledge, understand, accept and agree to comply with the information contained in the manual. I understand this is not intended to cover every situation which may arise during my participation, but is simply a general guide to the goals, policies, practices, benefits and expectations of the Fiscal Sponsorship Program.

\_\_\_\_\_  
(Participant signature) (Date)

\_\_\_\_\_  
(Project Name)