

Solutions Project Inc.

Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2018 and 2017

THE
SOLUTIONS
PROJECT

Solutions Project Inc.
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December 31, 2018 and 2017

FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Board of Directors and Management
Solutions Project Inc.
Oakland, CA

We have audited the accompanying financial statements of Solutions Project Inc, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses 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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Solutions Project Inc. as of December 31, 2018, and 2017, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Wheeler". The signature is written in a cursive, flowing style.

April 22, 2019
San Jose, CA

Solutions Project Inc.
 Statements of Financial Position
 As of December 31, 2018 and 2017

<u>ASSETS</u>	2018	2017
Current assets:		
Cash and cash equivalents	\$ 732,678	\$ 1,216,957
Accounts and grants receivable	850,000	502,198
Prepays	5,260	42,961
Total current assets	1,587,938	1,762,116
Non-current assets:		
Long term grants receivable, net	476,200	-
Property and equipment, net	1,790	3,971
Total non-current assets	477,990	3,971
Total assets	\$ 2,065,928	\$ 1,766,087
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,295	\$ 252,559
Total liabilities	93,295	252,559
Net assets:		
Without donor restrictions	615,183	865,847
With donor restrictions	1,357,450	647,681
Total net assets	1,972,633	1,513,528
Total liabilities and net assets	\$ 2,065,928	\$ 1,766,087

See independent auditors' report and accompanying notes to financial statements.

Solutions Project Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ <u>200,669</u>	\$ <u>3,017,145</u>	\$ <u>3,217,814</u>
Total public support and revenue	200,669	3,017,145	3,217,814
Net assets released of restrictions	<u>2,307,376</u>	<u>(2,307,376)</u>	<u>-</u>
Total public support and revenue and net assets released from restrictions	<u>2,508,045</u>	<u>709,769</u>	<u>3,217,814</u>
Operating expenses:			
Program services:			
Connect	312,575	-	312,575
Inspire	644,945	-	644,945
Invest	<u>1,455,006</u>	<u>-</u>	<u>1,455,006</u>
Total program services	2,412,526	-	2,412,526
Fundraising expenses	130,211	-	130,211
General and administrative expenses	<u>220,769</u>	<u>-</u>	<u>220,769</u>
Total operating expenses	<u>2,763,506</u>	<u>-</u>	<u>2,763,506</u>
Other income:			
Interest income	<u>4,797</u>	<u>-</u>	<u>4,797</u>
Total other income	4,797	-	4,797
Change in net assets	(250,664)	709,769	459,105
Net assets, beginning of year	<u>865,847</u>	<u>647,681</u>	<u>1,513,528</u>
Net assets, end of year	\$ <u><u>615,183</u></u>	\$ <u><u>1,357,450</u></u>	\$ <u><u>1,972,633</u></u>

See independent auditors' report and accompanying notes to financial statements.

Solutions Project Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions and grants	\$ 696,950	\$ 1,688,109	\$ 2,385,059
Total public support and revenue	696,950	1,688,109	2,385,059
Net assets released of restrictions	<u>2,290,428</u>	<u>(2,290,428)</u>	<u>-</u>
Total public support and revenue and net assets released from restrictions	<u>2,987,378</u>	<u>(602,319)</u>	<u>2,385,059</u>
Operating expenses:			
Program services:			
Connect	609,875	-	609,875
Inspire	751,942	-	751,942
Invest	<u>1,601,006</u>	<u>-</u>	<u>1,601,006</u>
Total program services	2,962,823		2,962,823
Fundraising expenses	214,932	-	214,932
General and administrative expenses	<u>235,941</u>	<u>-</u>	<u>235,941</u>
Total operating expenses	<u>3,413,696</u>	<u>-</u>	<u>3,413,696</u>
Other income:			
Interest income	<u>7,788</u>	<u>-</u>	<u>7,788</u>
Total other income	7,788	-	7,788
Change in net assets	(418,530)	(602,319)	(1,020,849)
Net assets, beginning of year	<u>1,284,377</u>	<u>1,250,000</u>	<u>2,534,377</u>
Net assets, end of year	\$ <u><u>865,847</u></u>	\$ <u><u>647,681</u></u>	\$ <u><u>1,513,528</u></u>

See independent auditors' report and accompanying notes to financial statements.

Solutions Project Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018							
	Program Services				Supporting Services			Total Expenses
	Connect	Inspire	Invest	Total Program	Fundraising	General/ Admin	Total Supporting Services	
Expenses:								
Grants, contracts, direct assistanc \$	10,000	\$ 8,000	\$ 1,157,000	\$ 1,175,000	\$ -	\$ -	\$ -	\$ 1,175,000
Salaries and benefits	79,469	187,587	225,178	492,234	79,890	129,349	209,239	701,473
Professional fees	102,242	169,888	35,021	307,151	9,927	45,151	55,078	362,229
Campaign and development	1,581	205,802	792	208,175	24,666	188	24,854	233,029
Advertising	214	27,930	107	28,251	3,348	26	3,374	31,625
Program Event Expenses	26,543	1,697	1,107	29,347	164	3,372	3,536	32,883
Travel	75,730	24,076	16,848	116,654	3,859	25,500	29,359	146,013
Miscellaneous	16,796	19,965	18,953	55,714	8,357	17,183	25,540	81,254
Total expenses	\$ 312,575	\$ 644,945	\$ 1,455,006	\$ 2,412,526	\$ 130,211	\$ 220,769	\$ 350,980	\$ 2,763,506

	2017							
	Program Services				Supporting Services			Total Expenses
	Connect	Inspire	Invest	Total Program	Fundraising	General/ Admin	Total Supporting Services	
Expenses:								
Grants, contracts, direct assistanc \$	178,991	\$ 10,000	\$ 1,304,675	\$ 1,493,666	\$ 38,000	\$ -	\$ 38,000	\$ 1,531,666
Salaries and benefits	212,993	299,882	141,535	654,410	134,867	159,299	294,166	948,576
Professional fees	87,805	182,544	108,100	378,449	16,269	29,540	45,809	424,258
Campaign and development	3,970	157,481	2,734	164,185	4,113	3,045	7,158	171,343
Advertising	535	21,200	367	22,102	554	410	964	23,066
Program Event Expenses	2,893	12,972	3,440	19,305	4,270	21,658	25,928	45,233
Travel	48,356	36,554	26,032	110,942	4,671	6,445	11,116	122,058
Miscellaneous	74,332	31,309	14,123	119,764	12,188	15,544	27,732	147,496
Total expenses	\$ 609,875	\$ 751,942	\$ 1,601,006	\$ 2,962,823	\$ 214,932	\$ 235,941	\$ 450,873	\$ 3,413,696

See independent auditors' report and accompanying notes to financial statements.

Solutions Project Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating activities:		
Change in net assets	\$ 459,105	\$ (1,020,849)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,631	2,896
Loss on disposal of assets	(450)	-
Changes in operating assets and liabilities:		
Accounts receivable	(347,802)	547,802
Prepays	37,701	(41,547)
Long term grants receivable	(476,200)	-
Accounts payable and accrued expenses	(159,264)	165,551
Net cash provided by operating activities	(484,279)	(346,147)
Increase (decrease) in cash and cash equivalents	(484,279)	(346,147)
Cash and cash equivalents, beginning of year	1,216,957	1,563,104
Cash and cash equivalents, end of year	\$ 732,678	\$ 1,216,957

See independent auditors' report and accompanying notes to financial statements.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2018 and 2017

1. Organization and operations:

Solutions Project, Inc. (the Organization) is a 501(c)(3) public charity established in 2013. The Solutions Project, Inc. operates grantmaking, storytelling, and capacity building programs with a mission to accelerate the transition to 100% clean energy for all by championing a movement that is more inclusive, collaborative, and celebratory.

2. Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Organization presents information regarding its financial position and activities according to two classes of net assets:

- ◆ *Net assets without donor restrictions* consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions.
- ◆ *Net assets with donor restrictions* represent contributions whose use has imposed restrictions. The donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of significant accounting policies (continued):

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of 90 days or less at the date of purchase to be cash equivalents. The carrying amount in the Statements of Financial Position approximates fair value.

Accounts Receivable - Accounts receivable consists of funds granted that will be received within one year. There is no allowance for uncollectable accounts as management believes that all amounts owed will be fully collected.

Fair value of financial instruments - Financial instruments included in Organization's Statements of Financial Position as of December 31, 2018 and 2017 include cash and cash equivalents, accounts payable and accrued expenses, for which the carrying amounts represent a reasonable estimate of the corresponding fair values.

Prepays and other current assets - Prepaid expenses and other current assets consist of deposits, prepaid insurance and grants that are paid in advance of when due and are expected to be realized within one year.

Property & Equipment - Equipment with a value greater than \$2,500 is capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are estimated to be three years.

Long-term grant receivable - Long-term grant receivable is composed of a grant receivable that will not be collected within one year. We have discounted it to present value for a payment to be received in 2020.

Accounts payable and accrued expenses - Accounts payable and accrued expenses consist of amounts due for expenses incurred but not paid until the subsequent year as well as the accrual for wages and compensated absences.

Revenue recognition - The Organization records contributions, including unconditional promises to give as revenue at their fair value in the period the contribution or pledge is received.

All contributed support is recognized as unrestricted revenue when received or unconditionally promised. The Organization reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of significant accounting policies (continued):

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses applicable to more than one program are allocated based on usage and management's estimates.

Advertising - Advertising costs, when they occur, are charged to operations in the period in which the advertisement is placed. Advertising costs for the years ended December 31, 2018 and 2017 amounted to \$31,625 and \$23,066, respectively.

Concentration of credit risk - Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents. The Organization maintains cash and cash equivalents with a commercial bank. Cash equivalents include overnight investments, and money market funds. These accounts are insured up to \$250,000 per depositor by an agency of the federal government. At times, such amounts might exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Accounting for uncertainty for income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position.

The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2018 and 2017 management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is December 31, 2015 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2014 and forward.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of significant accounting policies (continued):

Changing Standards – Contributions - In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 improves existing guidance on revenue recognition of grants and contracts to reduce diversity in accounting practice. The amendments in the ASU provide clarified guidance on evaluating whether a transaction should be accounted for as a contribution or an exchange transaction, based on whether a resource provider is receiving corresponding value in return for the resources transferred. ASU 2018-08 also includes an improved framework to determine whether a contribution is conditional and to better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU also modifies the simultaneous release option currently in GAAP which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. The guidance in ASU 2018-08 is effective as follows: transactions in which the Organization is the resource recipient in years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019; transactions in which the Organization is the resource provider in years beginning after December 15, 2019, and interim periods within years beginning after December 15, 2020. Early adoption is permitted. The Organization is in the process of evaluating the impact of the adoption of this standard will have on its financial statements and related disclosures.

3. Property and equipment:

Property and equipment is shown net of accumulated depreciation. Property and equipment at December 31 consisted of the following:

	2018	2017
Computers	\$ 5,204	\$ 8,687
Total property and equipment	5,204	8,687
Less : accumulated depreciation	(3,234)	(4,716)
Property and equipment, Net	\$ <u>1,790</u>	\$ <u>3,971</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$ 2,631 and \$2,896, respectively.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2018 and 2017

4. Operating lease:

The Organization maintains a virtual office that has a month to month lease. Lease expense for the years ended December 31, 2018 and 2017 was \$11,853 and \$24,098, respectively.

5. Long-term grant receivable:

The Organization has received a multi-year grant and will be calculated as follows:

Grants receivable to be collected in 2019	\$ 500,000
Grants receivable to be collected in 2020	500,000
Discount to PV for 2020 grant receivable	<u>(23,800)</u>
Total grants receivable balance for multi-year grant	<u>\$ 976,200</u>

6. Net assets with donor restrictions:

The Organization received several multi-year grants during the years ended December 31, 2018 and 2017. Management plans to use these funds to maintain operations in the coming years. The Organization operates three core programs: Connect, which is capacity building; Inspire, which is storytelling and media production; and Invest, which is grassroots grantmaking. The Organization also maintained several projects for which restricted funds were received.

Net assets with donor restrictions consisted of the following purposes during the years ended December 31:

	<u>2017</u>		<u>Increases</u>		<u>Releases</u>		<u>2018</u>
Connect	\$ 147,681	\$	120,000	\$	236,431	\$	31,250
Inspire	-		644,945		644,945		-
Invest	-		226,000		226,000		-
Time Restricted	500,000		2,026,200		1,200,000		1,326,200
Ending Balance	<u>\$ 647,681</u>	\$	<u>3,017,145</u>	\$	<u>2,307,376</u>	\$	<u>1,357,450</u>
	<u>2016</u>		<u>Increases</u>		<u>Releases</u>		<u>2017</u>
Connect	\$ -	\$	370,000	\$	222,319	\$	147,681
Inspire	-		60,000		60,000		-
Invest	-		758,109		758,109		-
Time Restricted	1,250,000		500,000		1,250,000		500,000
Ending Balance	<u>\$ 1,250,000</u>	\$	<u>1,688,109</u>	\$	<u>2,290,428</u>	\$	<u>647,681</u>

Solutions Project Inc.
Notes to Financial Statements
December 31, 2018 and 2017

7. Liquidity and availability:

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The following table reflects the Organization’s financial assets as of December 31, 2018 , reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions greater than one year and special projects outside of the Organization’s core programs.

	December 31, 2018
Financial assets at year end:	
Cash and cash equivalents	\$ 732,678
Grants receivable	1,326,200
Prepays	5,260
Total Financial assets	2,064,138
Less: Current liabilities	93,295
Less amounts not available to be used within one year:	
Net assets with donor restrictions greater than one year	476,200
	569,495
Financial assets available to meet general expenditures over the next twelve months	\$ 1,494,643

Solutions Project Inc.
Notes to Financial Statements
December 31, 2018 and 2017

8. Retirement plan:

Beginning in 2016, the Organization sponsored a defined contribution retirement plan which qualifies under section 403(b) of the Internal Revenue Code. Under the terms of the plan, contributions are invested at the discretion of the plan participant in an investment vehicle comprised of various funds. The Organization can elect to contribute 4% of gross salaries for qualified employees to the plan. The Organization contributed \$17,963 and \$22,747 for the years ended December 31, 2018 and 2017.

9. Functional expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates all expenses based on a time allocation of the employees per month and this is done for all expense other than grant expense. Grant expense is directly allocated to grant making.

10. Concentrations:

For the years ended December 31, 2018 and 2017, the three largest grants comprised over 49% and 54% of the Organization's income, respectively.

11. Subsequent events:

Subsequent events are events or transactions that occur after the balance sheet date but before the date the financial statements were available to be issued. The Organization recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued.

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Organization and available to be issued.

No subsequent events required disclosure or recognition.