

Solutions Project Inc.

Financial Statements
and
Independent Auditors' Report

For the Year Ended
December 31, 2016 and 2015

THE
SOLUTIONS
PROJECT

Solutions Project Inc.
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December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Solutions Project Inc., (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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.

Auditors' 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 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, 2016 and 2015, 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.

April 13, 2017

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Solutions Project Inc.
Statement of Financial Position
As of December 31, 2016

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,563,104
Accounts Receivable	1,050,000
Prepays	926
Other current assets	<u>488</u>
Total current assets	<u>2,614,518</u>
Non-current assets	
Property and equipment, net	6,867
Total non-current assets	<u>6,867</u>
Total assets	<u>\$ 2,621,385</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ <u>87,008</u>
Total liabilities	<u>87,008</u>
Net assets:	
Unrestricted	1,284,377
Temporarily restricted	<u>1,250,000</u>
Total net assets	<u>2,534,377</u>
Total liabilities and net assets	<u>\$ 2,621,385</u>

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

Solutions Project Inc.
Statement of Financial Position
As of December 31, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 418,943
Prepays	2,001
Other current assets	<u>3,988</u>
Total current assets	<u>424,932</u>
Total assets	<u>\$ 424,932</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ <u>37,322</u>
Total liabilities	<u>37,322</u>
Net assets:	
Unrestricted	<u>387,610</u>
Total net assets	<u>387,610</u>
Total liabilities and net assets	<u>\$ 424,932</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ 2,454,320	\$ 2,438,038	\$ 4,892,358
Total public support and revenue	2,454,320	2,438,038	4,892,358
Net assets released of restrictions	<u>1,188,038</u>	<u>(1,188,038)</u>	<u>-</u>
Total public support and revenue and net assets released from restrictions	<u>3,642,358</u>	<u>1,250,000</u>	<u>4,892,358</u>
Operating expenses:			
Program services:			
Policy Advocacy	571,169	-	571,169
Public Awareness	619,897	-	619,897
Leadership Awards	<u>1,211,437</u>	<u>-</u>	<u>1,211,437</u>
Total program services	2,402,503		2,402,503
Fundraising expenses	153,838	-	153,838
General and administrative expenses	<u>189,372</u>	<u>-</u>	<u>189,372</u>
Total operating expenses	<u>2,745,713</u>	<u>-</u>	<u>2,745,713</u>
Other income:			
Interest income	<u>122</u>	<u>-</u>	<u>122</u>
Total other income	122	-	122
Change in net assets	896,767	1,250,000	2,146,767
Net assets, beginning of year	<u>387,610</u>	<u>-</u>	<u>387,610</u>
Net assets, end of year	<u>\$ 1,284,377</u>	<u>\$ 1,250,000</u>	<u>\$ 2,534,377</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ 806,650	\$ 340,000	\$ 1,146,650
Total public support and revenue	806,650	340,000	1,146,650
Net assets released of restrictions	<u>340,000</u>	<u>(340,000)</u>	<u>-</u>
Total public support and revenue and net assets released from restrictions	<u>1,146,650</u>	<u>-</u>	<u>1,146,650</u>
Operating expenses:			
Program services:			
Policy Advocacy	173,436	-	173,436
Public Awareness	667,849	-	667,849
Leadership Awards	<u>351,438</u>	<u>-</u>	<u>351,438</u>
Total program services	1,192,723	-	1,192,723
Fundraising expenses	79,895	-	79,895
General and administrative expenses	<u>99,716</u>	<u>-</u>	<u>99,716</u>
Total operating expenses	<u>1,372,334</u>	<u>-</u>	<u>1,372,334</u>
Other income:			
Interest income	<u>12</u>	<u>-</u>	<u>12</u>
Total other income	12	-	12
Change in net assets	(225,672)	-	(225,672)
Net assets, beginning of year	<u>613,282</u>	<u>-</u>	<u>613,282</u>
Net assets, end of year	<u>\$ 387,610</u>	<u>\$ -</u>	<u>\$ 387,610</u>

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

Solutions Project Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services					Supporting Services			Total Expenses
	Policy Advocacy	Public Awareness	Leadership Awards	Total Program	Fundraising	General/ Admin.	Total Supporting Services		
Expenses:									
Grants, contracts, direct assistance	\$ 66,174	\$ -	\$ 949,376	\$ 1,015,550	\$ -	\$ -	\$ -	\$ 1,015,550	
Salaries and benefits	176,041	270,935	119,661	566,637	116,752	114,547	231,299	797,936	
Professional fees	208,974	56,228	52,931	318,133	21,478	27,178	48,656	366,789	
Marketing and Advertising	1,158	167,588	1,407	170,153	789	2,031	2,820	172,973	
Program Event Expenses	15,309	45,229	16,238	76,776	4,650	1,800	6,450	83,226	
Travel	47,469	46,424	50,455	144,348	3,223	9,745	12,968	157,316	
Miscellaneous	56,044	33,493	21,369	110,906	6,946	34,071	41,017	151,923	
Total expenses	\$ 571,169	\$ 619,897	\$ 1,211,437	\$ 2,402,503	\$ 153,838	\$ 189,372	\$ 343,210	\$ 2,745,713	

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

Solutions Project Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services					Supporting Services			Total Expenses
	Policy Advocacy	Public Awareness	Leadership Awards	Total Program	Fundraising	General/ Admin.	Total Supporting Services		
Expenses:									
Grants, contracts, direct assistance	\$ 19,000	\$ 25,000	\$ 267,000	\$ 311,000	\$ -	\$ -	\$ -	\$ 311,000	
Salaries and benefits	49,635	199,690	41,070	290,395	58,962	64,618	123,580	413,975	
Professional fees	65,680	138,103	7,157	210,940	4,477	5,792	10,269	221,209	
Marketing and Advertising	9,536	145,411	4,683	159,630	5,512	4,822	10,334	169,964	
Program Event Expenses	4,000	65,366	9,922	79,288	-	20	20	79,308	
Travel	17,555	30,846	14,870	63,271	2,909	1,567	4,476	67,747	
Miscellaneous	8,030	63,433	6,736	78,199	8,035	22,897	30,932	109,131	
Total expenses	\$ 173,436	\$ 667,849	\$ 351,438	\$ 1,192,723	\$ 79,895	\$ 99,716	\$ 179,611	\$ 1,372,334	

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

Solutions Project Inc.
Statement of Cash Flows
For the year ended December 31, 2016

Operating activities:	
Change in net assets	\$ 2,146,767
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization from operations	1,820
Changes in operating assets and liabilities:	
Accounts receivable	(1,050,000)
Prepaid expenses	1,075
Other current assets	3,500
Accounts payable and accrued expenses	<u>49,686</u>
Net cash provided by operating activities	1,152,848
Investing activities:	
Cash paid for equipment	<u>(8,687)</u>
Net cash provided (used) by investing activities	<u>(8,687)</u>
Increase (decrease) in cash and cash equivalents	1,144,161
Cash and cash equivalents, beginning of year	<u>418,943</u>
Cash and cash equivalents, end of year	\$ <u><u>1,563,104</u></u>

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

Solutions Project Inc.
Statement of Cash Flows
For the year ended December 31, 2015

Operating activities:		
Change in net assets	\$	(225,672)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization from operations		-
Changes in operating assets and liabilities:		
Accounts receivable		275,000
Prepaid expenses		14
Other current assets		(488)
Accounts payable and accrued expenses		<u>(56,463)</u>
Net cash provided by operating activities		(7,609)
Increase (decrease) in cash and cash equivalents		(7,609)
Cash and cash equivalents, beginning of year		<u>426,552</u>
Cash and cash equivalents, end of year	\$	<u><u>418,943</u></u>

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

Solutions Project Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note 1 - Organization and operations:

Solutions Project Inc. (the Organization) is a 501(c)(3) public charity established in 2013. The mission of the Organization is to accelerate the transition to 100% clean, renewable energy for all people and purposes. To achieve this mission, the Organization engages the public, celebrates, and convenes leaders, and advances partnerships and policies that make strides on the road to 100%.

Note 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 three classes of net assets:

- ◆ *Unrestricted net assets* consist of net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for various purposes.
- ◆ *Temporarily restricted net assets* represent contributions whose use is restricted by the donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization. There was \$1,250,000 and \$0 of temporarily restricted assets as of December 31, 2016 and 2015, respectively.
- ◆ *Permanently restricted assets* are those whose use is restricted to a specific purpose in perpetuity. By donor stipulation, only the earnings from the permanently restricted net assets may be used for the programs, with the principal to be maintained intact in perpetuity. There were no permanently restricted assets as of December 31, 2016 and 2015.

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.

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 un-conditionally 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, 2016 and 2015

Note 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.

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.

Prepaid expenses – Prepaid expenses consist of prepaid insurance and rent that are paid in advance of when due.

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.

Property & equipment – Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

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.

Fair value of financial instruments - Financial instruments included in the Organization's Statements of Financial Position as of December 31, 2016 and 2015 include cash and cash equivalents, accounts payable and accrued expenses, for which the carrying amounts represent a reasonable estimate of the corresponding fair values.

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, 2016 and 2015 amounted to \$172,973 and \$169,964, 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.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note 2 - Summary of significant accounting policies (continued):

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, 2016 and 2015, 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, 2013 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2012 and forward.

Date of management's review - Subsequent events are evaluated through April 13, 2017, which is the date the financial statements were available to be issued and it has been determined that no material subsequent events require an estimate to be recorded or disclosed as of December 31, 2016 and 2015.

Note 3 – Property and equipment

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

	2016	2015
Computers	<u>\$ 8,687</u>	<u>\$ -</u>
Total property and equipment	<u>8,687</u>	<u>-</u>
Less: accumulated depreciation	(1,820)	-
Property and equipment, Net	<u><u>\$ 6,867</u></u>	<u><u>\$ -</u></u>

Depreciation is calculated using straight line. Depreciation expense for the years ended December 31, 2016 and 2015 was \$1,820 and \$0, respectively.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note 4 - Operating lease:

The Organization did not lease property for the year ended December 31, 2016. The most recent lease held by the Organization was not renewed. The Organization paid monthly service fees to various office sharing locations in 2016. Rent expense for the years ended December 31, 2016 and 2015 was \$15,071 and \$29,850, respectively.

Note 5 - Temporarily restricted net assets:

Temporarily restricted net assets were restricted for the following purposes during the years ended December 31:

	<u>2015</u>	<u>Increases</u>	<u>Releases</u>	<u>2016</u>
Grantmaking Awards	\$ -	\$ 770,000	\$ 770,000	\$ -
Ecosystems	-	262,500	262,500	-
100 Proof	-	14,887	14,887	-
Public Awareness	-	140,651	140,651	-
Time Restricted	-	1,250,000	-	1,250,000
Ending Balance	<u>\$ -</u>	<u>\$ 2,438,038</u>	<u>\$ 1,188,038</u>	<u>\$ 1,250,000</u>

	<u>2014</u>	<u>Increases</u>	<u>Releases</u>	<u>2015</u>
Grantmaking Awards	\$ -	\$ 250,000	\$ 250,000	\$ -
Ecosystems	-	40,000	40,000	-
100 Proof	-	-	-	-
Public Awareness	-	50,000	50,000	-
Time Restricted	-	-	-	-
Ending Balance	<u>\$ -</u>	<u>\$ 340,000</u>	<u>\$ 340,000</u>	<u>\$ -</u>

Note 6 – 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 3% of gross salaries for qualified employees to the plan. The Organization contributed \$13,606 for the year ended December 31, 2016.

Solutions Project Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Note 7 - Related party transactions:

During the year ended December 31, 2015, the Organization received a \$5,000 donation from a board member. No contributions from board members were received for the year ended December 31, 2016.

Note 8 – 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.