

**Solutions Project Inc.**

Financial Statements  
and  
Independent Auditors' Report

For the Year Ended  
December 31, 2017 and 2016

THE  
**SOLUTIONS**  
PROJECT

Solutions Project Inc.  
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December 31, 2017 and 2016

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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 statement of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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, 2017, and 2016, 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 style with a large initial "W".

April 11, 2018  
San Jose, CA

Solutions Project Inc.  
 Statements of Financial Position  
 As of December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 1,216,957	\$ 1,563,104
Accounts Receivable	502,198	1,050,000
Prepays and other current assets	<u>42,961</u>	<u>1,414</u>
Total current assets	<u>1,762,116</u>	<u>2,614,518</u>
Non-current assets		
Property and equipment, net	3,971	6,867
Total non-current assets	<u>3,971</u>	<u>6,867</u>
Total assets	<u>\$ 1,766,087</u>	<u>\$ 2,621,385</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ <u>252,559</u>	\$ <u>87,008</u>
Total liabilities	<u>252,559</u>	<u>87,008</u>
Net assets:		
Unrestricted	865,847	1,284,377
Temporarily restricted	<u>647,681</u>	<u>1,250,000</u>
Total net assets	<u>1,513,528</u>	<u>2,534,377</u>
Total liabilities and net assets	<u>\$ 1,766,087</u>	<u>\$ 2,621,385</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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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:			
Policy Advocacy	609,875	-	609,875
Public Awareness	751,942	-	751,942
Leadership Awards	<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>\$ 865,847</u>	<u>\$ 647,681</u>	<u>\$ 1,513,528</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.  
Statements of Functional Expenses  
For the Years Ended December 31, 2017 and 2016

	2017							
	Program Services				Supporting Services			
	Ecosystems	Public Awareness	Grantmaking	Total Program	Fundraising	General/ Admin	Total Supporting Services	Total Expenses
Expenses:								
Grants, contracts, direct assistance	\$ 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
Marketing and Advertising	4,505	178,681	3,101	186,287	4,667	3,455	8,122	194,409
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	<u>\$ 609,875</u>	<u>\$ 751,942</u>	<u>\$ 1,601,006</u>	<u>\$ 2,962,823</u>	<u>\$ 214,932</u>	<u>\$ 235,941</u>	<u>\$ 450,873</u>	<u>\$ 3,413,696</u>

  

	2016							
	Program Services				Supporting Services			
	Ecosystems	Public Awareness	Grantmaking	Total Program	Fundraising	General/ Admin	Total Supporting Services	Total Expenses
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	512,571
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	<u>\$ 571,169</u>	<u>\$ 619,897</u>	<u>\$ 1,211,437</u>	<u>\$ 2,402,503</u>	<u>\$ 153,838</u>	<u>\$ 189,372</u>	<u>\$ 343,210</u>	<u>\$ 2,745,713</u>

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

Solutions Project Inc.  
Statements of Cash Flows  
For the years ended December 31, 2017 and 2016

	2017	2016
Operating activities:		
Change in net assets	\$ (1,020,849)	\$ 2,146,767
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization from operations	2,896	1,820
Changes in operating assets and liabilities:		
Accounts receivable	547,802	(1,050,000)
Prepaid expenses	(41,547)	4,575
Accounts payable and accrued expenses	165,551	49,686
Net cash provided by operating activities	(346,147)	1,152,848
Investing activities:		
Cash paid for equipment	-	(8,687)
Net cash provided (used) by investing activities	-	(8,687)
Increase (decrease) in cash and cash equivalents	(346,147)	1,144,161
Cash and cash equivalents, beginning of year	1,563,104	418,943
Cash and cash equivalents, end of year	\$ 1,216,957	\$ 1,563,104

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

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2017 and 2016

**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%.

**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 of 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. *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, 2017 and 2016.

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, 2017 and 2016

**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, 2017 and 2016 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.

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, 2017 and 2016

**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, 2017 and 2016 amounted to \$194,409 and \$172,973, 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, 2017 and 2016, 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, 2014 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2013 and forward.

Changing Standards - *Presentation of Financial Statements of Not-for-Profit Organizations*. In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"), which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. This issuance of ASU 2016-14 is the first phase of a FASB re-examining the standards for

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2017 and 2016

**2. Summary of significant accounting policies (continued):**

financial statement presentation by nonprofit organizations. Some of the more significant changes are (a) only two classes of net assets are reported in the statement of financial position, (b) accumulated losses of donor-restricted endowment funds are no longer classified in unrestricted net assets and additional disclosures about endowment funds are required, (c) all nonprofit organizations are required to present an analysis of expenses by both nature and function either on the face of the statement of activities, as a separate statement, or in the notes to the financial statements, (d) nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions, (e) while nonprofit organizations continue to be permitted to report cash flows from operating activities using either the direct or indirect method, a reconciliation to the indirect method is no longer required when the direct method is used, (f) investment return is reported net of external and direct internal investment expenses, (g) the release of restrictions on donor-restricted capital gifts is recognized when the assets are placed in service, (i) nonprofit organizations are required to provide qualitative and quantitative information about the organization's liquidity and the availability of its resources to fund general expenditures, and (j) enhanced disclosures about net assets with donor restrictions and designations of net assets made by the governing board are required. The guidance in ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. ASU 2016-14 is to be applied to the financial statements using a retrospective application. The nature of any reclassifications or restatements and their effects, if any, on the changes in net asset classes for each period that is presented is required to be disclosed.

**3. Property and Equipment:**

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

	<u>2017</u>	<u>2016</u>
Computers	\$ 8,687	\$ 8,687
Total property and equipment	<u>8,687</u>	<u>8,687</u>
Less: accumulated depreciation	<u>(4,716)</u>	<u>(1,820)</u>
Property and equipment, Net	<u>\$ 3,971</u>	<u>\$ 6,867</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$2,896 and \$1,820, respectively.

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2017 and 2016

**4. Operating lease:**

The Organization maintains a virtual office. Lease expense for the years ended December 31, 2017 and 2016 was \$24,098 and \$15,071, respectively.

**5. Temporarily restricted net assets:**

The Organization received several multi-year grants during the years ended December 31, 2017 and 2016. Management plans to use these funds to maintain operations in the coming years. The Organization maintained several programs for which restricted funds were received. The 100 Proof program is an interactive, animated web news series created to engage the public in discussion and to inspire action for clean, renewable energy. The Ecosystems program facilitates collaboration among business, science, culture, and community through networking, messaging, training, and capacity building.

Temporarily restricted net assets consisted of the following purposes during the years ended December 31:

	<u>2016</u>	<u>Increases</u>	<u>Releases</u>	<u>2017</u>
Ecosystems	\$ -	\$ 370,000	\$ 222,319	\$ 147,681
100 Proof	-	60,000	60,000	-
Public Awareness	-	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>
	<u>2015</u>	<u>Increases</u>	<u>Releases</u>	<u>2016</u>
Grantmaking	\$ -	\$ 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	-	-
Ending Balance	<u>\$ -</u>	<u>\$ 2,438,038</u>	<u>\$ 1,188,038</u>	<u>\$ 1,250,000</u>

**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 4% of gross salaries for qualified employees to the plan. The Organization contributed \$22,747 and \$13,606 for the years ended December 31, 2017 and 2016.

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2017 and 2016

**7. Concentrations:**

For the years ended December 31, 2017 and 2016, the three largest grants comprised over 54% and 67% of the Organization's income, respectively.

**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.

No subsequent events required disclosure or recognition.