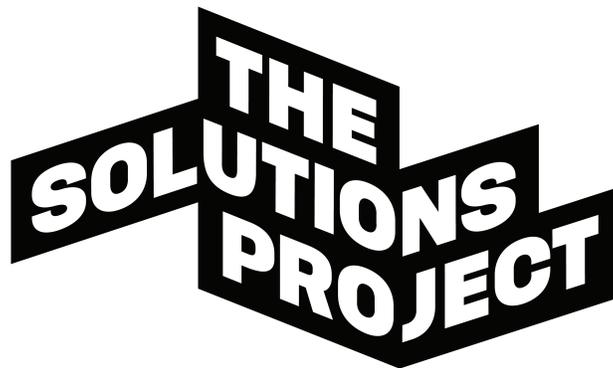


**Solutions Project Inc.**

Financial Statements  
and  
Independent Auditors' Report

For the Years Ended  
December 31, 2019 and 2018



Solutions Project Inc.  
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December 31, 2019 and 2018

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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, 2019 and 2018, 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 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, 2019, and 2018, and the results of its operations 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".

San Jose, CA  
June 5, 2020

Solutions Project Inc.  
 Statements of Financial Position  
 As of December 31, 2019 and 2018

<u>ASSETS</u>	2019	2018
Current assets:		
Cash and cash equivalents	\$ 1,315,687	\$ 732,678
Accounts receivable	690,000	850,000
Prepays	62,986	5,260
Total current assets	2,068,673	1,587,938
Non-current assets		
Long term grants receivable	-	476,200
Property and equipment, net	2,759	1,790
Total non-current assets	2,759	477,990
Total assets	\$ 2,071,432	\$ 2,065,928
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 105,903	\$ 93,295
Grants payable	195,000	-
Total liabilities	300,903	93,295
Net assets:		
Without donor restrictions	1,089,448	615,183
With donor restrictions	681,081	1,357,450
Total net assets	1,770,529	1,972,633
Total liabilities and net assets	\$ 2,071,432	\$ 2,065,928

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

Solutions Project Inc.  
Statement of Activities and Changes in Net Assets  
As of December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ <u>1,124,085</u>	\$ <u>673,800</u>	\$ <u>1,797,885</u>
Total public support and revenue	1,124,085	673,800	1,797,885
Net assets released of restrictions	<u>1,350,169</u>	<u>(1,350,169)</u>	<u>-</u>
Total public support and revenue and net assets released from restrictions	<u>2,474,254</u>	<u>(676,369)</u>	<u>1,797,885</u>
Operating expenses:			
Program services:			
Connect	214,819	-	214,819
Inspire	550,988	-	550,988
Invest	<u>920,051</u>	<u>-</u>	<u>920,051</u>
Total program services	1,685,858	-	1,685,858
Fundraising expenses	107,468	-	107,468
General and administrative expenses	<u>210,307</u>	<u>-</u>	<u>210,307</u>
Total operating expenses	<u>2,003,633</u>	<u>-</u>	<u>2,003,633</u>
Other income:			
Interest income	3,544	-	3,544
Gain on sale of fixed assets	<u>100</u>	<u>-</u>	<u>100</u>
Total other income	3,644	-	3,644
Change in net assets	474,265	(676,369)	(202,104)
Net assets, beginning of year	<u>615,183</u>	<u>1,357,450</u>	<u>1,972,633</u>
Net assets, end of year	\$ <u><u>1,089,448</u></u>	\$ <u><u>681,081</u></u>	\$ <u><u>1,770,529</u></u>

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

Solutions Project Inc.  
Statement of Activities and Changes in Net Assets  
As of December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ 200,669	\$ 3,017,145	\$ 3,217,814
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.  
Statements of Functional Expenses  
As of December 31, 2019 and 2018

	2019							
	Program Services				Supporting Services			Total Expenses
	Connect	Inspire	Invest	Total Program	Fundraising	General/ Admin	Supporting Services	
Expenses:								
Grants, contracts, direct assistance	\$ 1,000	\$ -	\$ 650,000	\$ 651,000	\$ -	\$ -	\$ -	\$ 651,000
Salaries and benefits	121,353	161,050	184,333	466,736	68,227	122,111	190,338	657,074
Professional fees	34,289	249,457	64,813	348,559	12,941	33,533	46,474	395,033
Campaign and development	413	62,908	634	63,955	1,243	442	1,685	65,640
Advertising	-	10,685	-	10,685	17,843	-	17,843	28,528
Program event expenses	500	29,587	1,670	31,757	-	25,288	25,288	57,045
Travel	32,368	14,156	6,218	52,742	1,539	11,632	13,171	65,913
Miscellaneous	24,896	23,145	12,383	60,424	5,675	17,301	22,976	83,400
Total expenses	<u>\$ 214,819</u>	<u>\$ 550,988</u>	<u>\$ 920,051</u>	<u>\$ 1,685,858</u>	<u>\$ 107,468</u>	<u>\$ 210,307</u>	<u>\$ 317,775</u>	<u>\$ 2,003,633</u>

	2018							
	Program Services				Supporting Services			Total Expenses
	Connect	Inspire	Invest	Total Program	Fundraising	General/ Admin	Supporting Services	
Expenses:								
Grants, contracts, direct assistance	\$ 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	<u>\$ 312,575</u>	<u>\$ 644,945</u>	<u>\$ 1,455,006</u>	<u>\$ 2,412,526</u>	<u>\$ 130,211</u>	<u>\$ 220,769</u>	<u>\$ 350,980</u>	<u>\$ 2,763,506</u>

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

Solutions Project Inc.  
Statements of Cash Flows  
As of December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ (202,104)	\$ 459,105
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,218	2,631
Gain on sale of fixed assets	(100)	(450)
Changes in operating assets and liabilities:		
Accounts receivable	160,000	(347,802)
Prepays	(57,726)	37,701
Long term grants receivable	476,200	(476,200)
Accounts payable and accrued expenses	12,608	(159,264)
Grants payable	195,000	-
Net cash provided by (used in) operating activities	585,096	(484,279)
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,187)	-
Proceeds from sale of assets	100	-
Net cash used by investing activities	(2,087)	-
Increase (decrease) in cash and cash equivalents	583,009	(484,279)
Cash and cash equivalents, beginning of year	732,678	1,216,957
Cash and cash equivalents, end of year	\$ 1,315,687	\$ 732,678

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

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

## **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.

The Organization is also setting a new course for impact, expanding its focus from clean energy to include a broader range of community climate solutions in food/agriculture/soil, water systems, and more.

In December 2019, the Organization stated in its new internal "Purpose Statement" that it will partner with frontline leaders in the climate crisis to transform culture in order to make a future that is healthy, just and regenerative.

## **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, 2019 and 2018

**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 the Organization's Statements of Financial Position as of December 31, 2019 and 2018 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 \$1,000 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 - In 2018, long-term grant receivable is discounted to present value and is composed of a grant receivable that will not be collected within one year.

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.

Grants payable - Grants payable consist of amounts due for grants incurred but not paid until the subsequent year.

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

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

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

Revenue recognition (continued)

assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

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, 2019 and 2018 amounted to \$28,528 and \$31,625, 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, 2019 and 2018 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, 2016 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years December 31, 2015 and forward.

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

**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. The Organization implemented this ASU in 2019.

**3. Property and equipment**

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

	2019	2018
Computers	\$ <u>5,514</u>	\$ <u>5,024</u>
Total property and equipment	<u>5,514</u>	<u>5,024</u>
Less : accumulated depreciation	(2,755)	(3,234)
Property and equipment, Net	\$ <u><u>2,759</u></u>	\$ <u><u>1,790</u></u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$ 1,218 and \$2,631, respectively.

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

**4. Operating lease**

The Organization maintains a virtual office that has a month to month lease. Lease expense for the years ended December 31, 2019 and 2018 was \$12,660 and \$11,853, respectively.

**5. Long-term grant receivable**

In 2018, the Organization had a multi-year grant with amounts owed in 2020. As a result, the portion of the receivable due in 2020 was discounted:

Grant receivable to be collected	\$ 500,000
Discount to PV	<u>(23,800)</u>
Total grant receivable	<u><u>\$ 476,200</u></u>

In 2019, the discounted portion was recorded as revenue.

**6. Net assets with donor restrictions**

During the year, the Organization maintained several programs for which restricted funds were received. 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.

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

	<u>2018</u>		<u>Increases</u>		<u>Releases</u>		<u>2019</u>
Connect	\$ 31,250	\$	15,000	\$	40,169	\$	6,081
Inspire	-		235,000		235,000		-
Invest	-		50,000		50,000		-
Time Restricted	1,326,200		373,800		1,025,000		675,000
Ending Balance	<u>\$ 1,357,450</u>	<u>\$</u>	<u>673,800</u>	<u>\$</u>	<u>1,350,169</u>	<u>\$</u>	<u>681,081</u>
	<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>\$</u>	<u>3,017,145</u>	<u>\$</u>	<u>2,307,376</u>	<u>\$</u>	<u>1,357,450</u>

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

**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, 2019, 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 project outside of the Organization’s core programs.

	December 31, 2019
Financial assets at year end:	
Cash and cash equivalents	\$ 1,315,687
Grants receivable	690,000
Total Financial assets	2,005,687
Less amounts not available to be used within one year:	
Net assets with donor restrictions greater than one year	-
Financial assets available to meet general expenditures over the next twelve months	\$ 2,005,687

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

## **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 \$18,749 and \$17,963 for the years ended December 31, 2019 and 2018.

## **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. Related party transactions**

On October 1, 2019, the Organization awarded a grant totaling \$20,000 to SCOPE Agenda Action Fund through its fiscal sponsor, Tides Advocacy. A member of the Board is a signatory on the grant agreement who also serves as the fund advisor of SCOPE Agenda Action Fund. While the Board member is a signor, they are not involved in the grant decision making process.

## **11. Concentrations**

For the year ended December 31, 2019, four large grants comprised 64% of the Organization's income. In 2018, three large grants made up 49% of the Organization's income.

## **12. 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.

Solutions Project Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

**12. Subsequent events (continued)**

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.

In recent days, the COVID-19 outbreak in the United States has resulted in economic uncertainties. The Organization's income is made up of contributions and grants, as such, other financial impact could occur, though such potential impact is unknown at this time. In May 2020, the Organization applied and obtained an \$86,500 loan through the Paycheck Protection Program, provided by the Small Business Administration.

No other subsequent events require disclosure or recognition.