

**The Solutions Project
Inc.**

Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2022 and 2021



The Solutions Project Inc.
Table of Contents

December 31, 2022 and 2021

	Page No.
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-16



Independent Auditors' Report

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

Opinion

We have audited the financial statements of The Solutions Project Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Solutions Project Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Solutions Project Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Solutions Project Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Solutions Project Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Solutions Project Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in blue ink that reads 'Wheeler'.

San Jose, CA
July 31, 2023

**The Solutions Project Inc.
Statements of Financial Position**

December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 32,337,287	\$ 9,633,447
Grants receivable	1,425,000	19,624,134
Investments	-	13,567,947
Prepays and other current assets	83,519	125,398
Total current assets	33,845,806	42,950,926
Long-term grants receivable, net	1,098,428	384,660
Property and equipment, net	23,901	57,332
Total assets	\$ 34,968,135	\$ 43,392,918
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 849,663	\$ 210,946
Pass-through funds	4,977,317	5,793,250
Total current liabilities	5,826,980	6,004,196
Total liabilities	5,826,980	6,004,196
Net assets		
Without donor restrictions		
Undesignated	14,985,220	10,179,230
Board designated	2,005,918	2,000,148
Total assets without donor restrictions	16,991,138	12,179,378
With donor restrictions	12,150,017	25,209,344
Total net assets	29,141,155	37,388,722
Total liabilities and net assets	\$ 34,968,135	\$ 43,392,918

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

The Solutions Project Inc.
Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Contributions of financial assets and grants	\$ 4,654,397	\$ 4,126,684	\$ 8,781,081
Pass-through fees	683,750	-	683,750
Total revenue and support	5,338,147	4,126,684	9,464,831
Net assets released from restrictions	17,186,011	(17,186,011)	-
Total revenues and support and net assets released from restrictions	22,524,158	(13,059,327)	9,464,831
EXPENSES			
Program services	12,942,341	-	12,942,341
Fundraising expenses	564,229	-	564,229
General and administrative expenses	761,979	-	761,979
Total expenses	14,268,549	-	14,268,549
OTHER INCOME (EXPENSES)			
Interest and dividend income	27,646	-	27,646
Realized loss	(3,471,645)	-	(3,471,645)
Miscellaneous income	150	-	150
Total other income (expense)	(3,443,849)	-	(3,443,849)
Total change in net assets	4,811,760	(13,059,327)	(8,247,567)
Net assets, beginning of year	12,179,378	25,209,344	37,388,722
Net assets, end of year	\$ 16,991,138	\$ 12,150,017	\$ 29,141,155

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

The Solutions Project Inc.
Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Contributions of financial assets and grants	\$ 4,232,786	\$ 2,455,779	\$ 6,688,565
Pass-through fees	173,750	-	173,750
Total revenue and support	4,406,536	2,455,779	6,862,315
Net assets released from restrictions	14,635,816	(14,635,816)	-
Total revenues and support and net assets released from restrictions	19,042,352	(12,180,037)	6,862,315
EXPENSES			
Program services	11,278,103	-	11,278,103
Fundraising expenses	414,729	-	414,729
General and administrative expenses	414,521	-	414,521
Total expenses	12,107,353	-	12,107,353
OTHER INCOME (EXPENSES)			
Extinguishment of debt	196,358	-	196,358
Interest and dividend income	6,737	-	6,737
Unrealized loss	(832,300)	-	(832,300)
Miscellaneous income	44,147	-	44,147
Total other income (expense)	(585,058)	-	(585,058)
Total change in net assets	6,349,941	(12,180,037)	(5,830,096)
Net assets, beginning of year	5,829,437	37,389,381	43,218,818
Net assets, end of year	\$ 12,179,378	\$ 25,209,344	\$ 37,388,722

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

**The Solutions Project Inc.
Statement of Functional Expense**

For the Year Ended December 31, 2022

	<u>Narative and Communications</u>	<u>Grantmaking</u>	<u>Total Program</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Grants, contracts, direct assistance	\$ 27,500	\$ 10,238,498	\$ 10,265,998	\$ -	\$ -	\$ 10,265,998
Salaries and benefits	802,199	572,519	1,374,718	416,733	450,837	2,242,288
Professional fees	727,124	267,882	995,006	85,158	183,932	1,264,096
Campaign and development	62,683	21,085	83,768	24,469	188	108,425
Advertising	9,262	655	9,917	4,700	-	14,617
Program event expenses	24,992	14,353	39,345	149	-	39,494
Travel	59,465	13,609	73,074	8,437	82,211	163,722
Rent expense	3,573	1,810	5,383	1,089	1,498	7,970
Equipment and accessories	764	73	837	43	2,770	3,650
Insurance	7,141	5,203	12,344	2,771	4,233	19,348
Software	33,185	11,908	45,093	4,050	6,024	55,167
Freight and delivery	80	89	169	16	1,800	1,985
Bank and credit card fees	60	34	94	24	4,020	4,138
Internet and communications	7,079	3,846	10,925	1,106	1,758	13,789
Meals and entertainment	6,123	2,156	8,279	576	6,267	15,122
Dues and subscriptions	1,133	199	1,332	1,142	388	2,862
Depreciation and amortization	13,225	-	13,225	13,225	10,793	37,243
Miscellaneous	1,764	1,070	2,834	541	5,260	8,635
Total expenses	<u>\$ 1,787,352</u>	<u>\$ 11,154,989</u>	<u>\$ 12,942,341</u>	<u>\$ 564,229</u>	<u>\$ 761,979</u>	<u>\$ 14,268,549</u>

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

The Solutions Project Inc.
Statement of Functional Expense

For the Year Ended December 31, 2021

	<u>Connect</u>	<u>Inspire</u>	<u>Grantmaking</u>	<u>Total Program</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Grants, contracts, direct assistance	\$ 250,000	\$ 2,500	\$ 9,116,316	\$ 9,368,816	\$ -	\$ -	\$ 9,368,816
Salaries and benefits	220,382	374,775	291,984	887,141	301,013	286,789	1,474,943
Professional fees	158,402	518,322	116,968	793,692	54,999	68,401	917,092
Campaign and development	5,575	105,803	3,125	114,503	28,725	-	143,228
Advertising	-	6,733	976	7,709	-	1,339	9,048
Program event expenses	2,000	7,746	-	9,746	-	1,180	10,926
Travel	369	18,831	20	19,220	-	9,792	29,012
Rent expense	188	317	243	748	300	267	1,315
Equipment and accessories	-	478	20	498	-	7,572	8,070
Insurance	2,147	4,062	3,380	9,589	3,281	3,258	16,128
Software	8,967	19,430	4,607	33,004	3,257	3,703	39,964
Freight and delivery	138	863	222	1,223	210	1,624	3,057
Bank and credit card fees	14	24	35	73	19	3,708	3,800
Internet and communications	2,021	4,395	1,874	8,290	2,076	1,461	11,827
Meals and entertainment	1,027	2,496	1,398	4,921	1,145	7,226	13,292
Dues and subscriptions	748	2,169	1,189	4,106	2,190	1,971	8,267
Depreciation and amortization	-	13,225	-	13,225	13,225	8,672	35,122
Miscellaneous	10	827	762	1,599	4,289	7,558	13,446
Total expenses	<u>\$ 651,988</u>	<u>\$ 1,082,996</u>	<u>\$ 9,543,119</u>	<u>\$ 11,278,103</u>	<u>\$ 414,729</u>	<u>\$ 414,521</u>	<u>\$ 12,107,353</u>

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

**The Solutions Project Inc.
Statements of Cash Flows**

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (8,247,567)	\$ (5,830,096)
Adjustments to reconcile change in net assets cash provided by (used in) operating activities		
Unrealized and realized (gain) loss on investments	3,471,645	832,300
Depreciation and amortization	37,243	35,122
Extinguishment of debt	-	(196,358)
Stock contributions	(13,923,258)	(14,400,245)
(Increase) decrease in operating assets:		
Grants receivable	18,199,134	(4,970,512)
Prepays	41,879	(109,823)
Long-term receivables	(713,768)	13,588,721
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	638,717	52,768
Grants payable	-	(75,000)
Pass-through funds	(815,933)	5,793,250
Net cash provided by (used in) operating activities	(1,311,908)	(5,279,873)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,812)	(8,487)
Proceeds from sale of investments	24,019,560	-
Net cash provided by (used in) investing activities	24,015,748	(8,487)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	109,321
Net cash provided by (used in) financing activities	-	109,321
Net increase (decrease) in cash and cash equivalents	22,703,840	(5,179,039)
Cash and cash equivalents, beginning of year	9,633,447	14,812,486
Cash and cash equivalents, end of year	\$ 32,337,287	\$ 9,633,447

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

The Solutions Project Inc.
Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 - NATURE OF OPERATIONS

The Solutions Project Inc. (the Organization or Solutions Project) is a 501(c)(3) public charity established in 2013. Solutions Project partners with frontline leaders in the climate crisis to transform culture in order to make ours a future that is healthy, just, and regenerative. Solutions Project funds and amplifies grassroots climate justice solutions across the US and Puerto Rico, especially those created by Black, Indigenous, Immigrant, women, and other people of color led organizations.

The Organization operates as a national intermediary dedicated to improving the material conditions of the people directly impacted by the climate crisis, who they believe play a central role in finding and scaling solutions. The Organization makes grants to over one hundred organizations closest to the problems created by pollution and climate change, amplifying the ideas and energy of those on the frontlines. The Organization uses culture, policy, and media as a strategy to bring focus and attention to what is working and what is not. The Organizations mobilizes media to help partners tell their own stories for public audiences and reach decision-makers in government, business, and philanthropy to invest in community climate solutions we know work.

Solutions Project is committed to a regenerative economy that centers equity-rooted strategies, community benefits, diverse leadership, and just transitions. The current moment appeals to philanthropy to be more attuned and holistic in its approach. To recognize interconnectedness, and to be in deeper service of communities. This is the type of philanthropy Solutions Project embodies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under the accrual basis of accounting, revenue and support are recorded 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 designated 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 in conformity with GAAP 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.

The Solutions Project Inc.
Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021 include cash and cash equivalents, accounts payable and accrued expenses, for which the carrying amounts represent a reasonable estimate of the corresponding fair values.

Property and equipment

Property and equipment exceeding \$1,000 are recorded at cost if purchased or at estimated fair market value at date of gift, if donated. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer and printers	3 years
Website	3 years

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.

Long-term grant receivable

In 2022 and 2021, long-term grant receivables are discounted to present value and are composed of a grant receivables 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.

Revenue recognition

Contribution revenue - 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 revenue without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

The Solutions Project Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Functional expense allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and the Statements 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 expenses

There are expenses incurred to advertise the various program offerings, and are expensed as incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were \$14,617 and \$9,048 respectively.

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, 2022 and 2021 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.

Recent accounting standards

Leases - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The effective date was January 1, 2021, however, in June 2020, FASB issued ASU 2020-05 which pushed out the effective date out by one year. The new standard was effective for the Organization on January 1, 2022. Early adoption was permitted. The Organization has adopted ASU 2016-02 for the year ended December 31, 2022. The adoption of the new guidance did not have a material impact on the Organization's financial statements.

Contributed nonfinancial assets - In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the statement of activities. The standard also requires additional disclosure over these contributed nonfinancial assets including a disaggregation of the amount recognized, qualitative information on utilization, entity policy, description over donor imposed restrictions, and valuation techniques. The effective date was January 1, 2022. The Organization has implemented this standard and has reflected this on its financial statements and related disclosures using a retrospective approach. The net assets and changes in net assets are unchanged due to implementation.

The Solutions Project Inc.
Notes to Financial Statements

December 31, 2022 and 2021

NOTE 3 - INVESTMENTS

The Organization invests in exchange-traded products and stocks, with financial institutions. There were no investments for the year ended December 31, 2022.

The investments are recognized at fair value as of December 31, 2021:

	2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
Exchange-traded products	\$ 517	\$ 517	\$ -	\$ -
Stocks	13,567,430	13,567,430	-	-
	<u>\$ 13,567,947</u>	<u>\$ 13,567,947</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 - LONG-TERM GRANT RECEIVABLE

In 2022 and 2021, the Organization had multi-year grants with amounts owed through 2025. As a result, the portion of the receivable due in 2024 and 2025 was discounted:

	2022	2021
Grant receivable to be collected	\$ 1,200,000	\$ 400,000
Discount to present value	(101,572)	(15,340)
	<u>\$ 1,098,428</u>	<u>\$ 384,660</u>

In 2022 and 2021, revenue was reduced by the discounted portion.

NOTE 5 - PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, the value of the property and equipment and related accumulated depreciation is as follows:

	2022	2021
Computers and printers	\$ 37,071	\$ 33,259
Website	79,350	79,350
Less: accumulated depreciation and amortization	(92,520)	(55,277)
	<u>\$ 23,901</u>	<u>\$ 57,332</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$37,243 and \$35,122 respectively.

**The Solutions Project Inc.
Notes to Financial Statements**

December 31, 2022 and 2021

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization received a \$86,500 loan through the Paycheck Protection Program (PPP), provided by the Small Business Administration (SBA). This loan helps small businesses pay for payroll and other expenses during the COVID-19 pandemic. The PPP loan and accrued interest are forgivable after the covered period has ended as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the full time equivalent or salary was reduced without restoring by a specified period. The unforgiven portion of the PPP loan has an interest rate of 1% with a maturity of two years. In March 2021, the Organization received full forgiveness from the SBA and has reported the forgiveness as an extinguishment of debt in the Statements of Activities and Changes in Net Assets.

In May 2021, the Organization received a second loan of \$109,200 through the PPP, provided by the SBA. This loan helps small businesses pay for payroll and other expenses during the COVID-19 pandemic. The PPP loan and accrued interest are forgivable after the covered period has ended as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the full time equivalent or salary was reduced without restoring by a specified period. The unforgiven portion of the PPP loan has an interest rate of 1% with a maturity of two years. In August 2021, the Organization received full forgiveness from the SBA and has reported the forgiveness as an extinguishment of debt in the Statements of Activities and Changes in Net Assets.

NOTE 7 - NET ASSETS WITH RESTRICTIONS

Donor-restricted net assets:

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 two core programs: Narrative and Communications and Grantmaking.

Net assets with donor restrictions during the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2021</u>	<u>Increases</u>	<u>Releases</u>	<u>2022</u>
Narrative and Communications	\$ -	\$ 1,273,993	\$ 1,231,442	\$ 42,551
Grantmaking	19,749,684	816,338	10,781,984	9,784,038
Time restricted	5,459,660	2,036,353	5,172,585	2,323,428
	<u>\$ 25,209,344</u>	<u>\$ 4,126,684</u>	<u>\$ 17,186,011</u>	<u>\$ 12,150,017</u>

	<u>2020</u>	<u>Increases</u>	<u>Releases</u>	<u>2021</u>
Connect	\$ -	\$ 300,000	\$ 300,000	\$ -
Inspire	100,000	417,500	517,500	-
Grantmaking	28,666,000	252,000	9,168,316	19,749,684
Time restricted	8,623,381	1,486,279	4,650,000	5,459,660
	<u>\$ 37,389,381</u>	<u>\$ 2,455,779</u>	<u>\$ 14,635,816</u>	<u>\$ 25,209,344</u>

**The Solutions Project Inc.
Notes to Financial Statements**

December 31, 2022 and 2021

Board Designated net assets:

The Organization's Board of Directors authorized the creation of a reserve fund to ensure long-term financial stability. The changes in this account for the years ended December 31, 2022 and 2021, are as follows:

	2021	Increases	Releases	2022
Reserve fund	\$ 2,000,148	\$ 5,770	\$ -	\$ 2,005,918
	\$ 2,000,148	\$ 5,770	\$ -	\$ 2,005,918
	2020	Increases	Releases	2021
Reserve fund	\$ 264,189	\$ 1,735,959	\$ -	\$ 2,000,148
	\$ 264,189	\$ 1,735,959	\$ -	\$ 2,000,148

NOTE 8 - 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, 2022 and 2021, 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, internal board designations, or funds held on behalf of third party not-for-profit organizations. 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.

**The Solutions Project Inc.
Notes to Financial Statements**

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 32,337,287	\$ 9,633,447
Investments	-	13,567,947
Grants receivable	2,625,000	19,624,134
Less amounts not available to be used within one year:		
Net assets with donor restrictions greater than one year	(1,200,000)	(17,749,536)
Board designated	(2,005,918)	(2,000,148)
Pass through funds	(4,977,317)	(5,793,250)
	<u>\$ 26,779,052</u>	<u>\$ 17,282,594</u>

NOTE 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.

NOTE 10 - PASS-THROUGH FUNDS

The Organization participated in pass through agreements with multiple not-for-profit organizations during the years ended December 31, 2022 and 2021. The Organization received a pass through fee for fundraising, collecting funds, maintaining fiscal ownership of those funds, and disbursement of those funds out as directed by the not-for-profits. The Organization and the not-for-profits have independent boards. During the years ended December 31, 2022 and 2021, the Organization recognized pass through fees of \$683,750 and \$173,750, respectively, on collections of \$7,700,000 and \$3,890,000, respectively. The Organization disbursed funds of \$3,372,500 and \$3,275,000 for the years ended December 31, 2022 and 2021, respectively, as directed. As of December 31, 2022 and 2021 the Organization held funds totaling \$4,977,317 and \$5,793,250, respectively.

NOTE 11 - 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 6% of gross salaries for qualified employees to the plan. The Organization contributed \$70,815 and \$39,172 for the years ended December 31, 2022 and 2021.

Beginning in 2022, the Organization established a 457(f) nonqualified deferred compensation plan (the Plan). The Plan was entered into for one highly compensated employee and stipulates that the Organization will make an initial nonelective contribution equal to 1.38% of the donations pledged by donors as a result of the employee's fundraising efforts from October 1, 2020 to December 31, 2021. The Organization contributed \$200,000 and accrued an additional \$200,000 for the year ended December 31, 2022. The remaining \$193,400 was not accrued as there is substantial risk of forfeiture.

The Solutions Project Inc.
Notes to Financial Statements

December 31, 2022 and 2021

NOTE 12 - CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance ("FDIC") limits of \$250,000.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

For the year ended December 31, 2022, 3 grants comprised 57% of the Organization's income. In 2021, four grants made up 52% of the Organization's income.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Organization leases office space for meetings and functions on an as needed basis. Lease expense for the years ended December 31, 2022 and 2021 was \$7,970 and \$1,315, respectively.

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of society across the world. The continued spread of COVID-19 may adversely impact the local, regional, national and world economies. The extent to which Covid-19 may impact the Organization's activities may depend on future developments which are highly uncertain and cannot be predicted. Management cannot presently estimate the overall long-term operational and financial impact to the Organization.

NOTE 14 - RECLASSIFICATION

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position 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 statement of financial position, 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 statement of financial position but arose after the statement of financial position 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 require disclosure or recognition.