

TOUCHSTONES[®]
DISCUSSION PROJECT

FINANCIAL REPORT
December 31, 2021 and 2020

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JBS & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Touchstones Discussion Project, Inc.

We have reviewed the accompanying financial statements of Touchstones Discussion Project, Inc. (a non-profit corporation) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Touchstones Discussion Project, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Stevensville, MD
September 30, 2022

TOUCHSTONES DISCUSSION PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 272,751	\$ 229,855
Accounts receivable	21,720	19,819
Unconditional promises to give	48,110	36,200
Inventory	<u>147,066</u>	<u>153,081</u>
Total current assets	489,647	438,955
 LONG TERM ASSETS		
Unconditional promises to give - long term	<u>276,750</u>	<u>288,160</u>
TOTAL ASSETS	<u>\$ 766,397</u>	<u>\$ 727,115</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,425	\$ 9,014
EIDL loan	<u>2,172</u>	<u>-</u>
Total current liabilities	9,597	9,014
 LONG TERM LIABILITIES		
EIDL loan, net of current portion	197,528	151,200
Paycheck protection program loan	<u>-</u>	<u>29,000</u>
Total long term liabilities	197,528	180,200
TOTAL LIABILITIES	<u>\$ 207,125</u>	<u>\$ 189,214</u>
 NET ASSETS		
Without donor restrictions	438,950	487,157
With donor restrictions		
Purpose restrictions	46,322	13,744
Endowments	<u>74,000</u>	<u>37,000</u>
Total net assets	559,272	537,901
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 766,397</u>	<u>\$ 727,115</u>

See independent accountants' review report and accompanying notes.

TOUCHSTONES DISCUSSION PROJECT, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2021 and 2020

	December 31, 2021			December 31, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 102,962	\$ 37,000	\$ 139,962	\$ 119,897	\$ 86,000	\$ 205,897
Grants	64,900	33,500	98,400	-	-	-
Donated services	87,150	-	87,150	91,671	-	91,671
Employee retention credit	4,636	-	4,636	-	-	-
Interest and other income	160	-	160	88	-	88
Program revenue	152,359	-	152,359	103,477	-	103,477
Net assets released from restrictions (See Note 9)	922	(922)	-	35,256	(35,256)	-
GROSS SUPPORT AND REVENUE	413,089	69,578	482,667	350,389	50,744	401,133
Less: sales discounts	65,835	-	65,835	19,699	-	19,699
TOTAL SUPPORT AND REVENUE, NET OF DISCOUNTS	347,254	69,578	416,832	330,690	50,744	381,434
EXPENSES						
PROGRAM EXPENSES						
Veterans	8,578	-	8,578	19,460	-	19,460
US schools	62,678	-	62,678	44,430	-	44,430
Correctional facilities	1,983	-	1,983	24,010	-	24,010
Executive development	61,104	-	61,104	60,795	-	60,795
International schools	11,660	-	11,660	7,256	-	7,256
Community/adult	22,511	-	22,511	43,463	-	43,463
New K-12 business development	30,984	-	30,984	19,776	-	19,776
New business development	10,057	-	10,057	5,534	-	5,534
K-12 workshops	74,201	-	74,201	35,837	-	35,837
TOTAL PROGRAM EXPENSES	283,756	-	283,756	260,561	-	260,561
MANAGEMENT AND GENERAL FUNDRAISING	44,035	-	44,035	58,894	-	58,894
TOTAL EXPENSES	395,461	-	395,461	393,672	-	393,672
CHANGE IN NET ASSETS	(48,207)	69,578	21,371	(62,982)	50,744	(12,238)
NET ASSETS, beginning of year	487,157	50,744	537,901	550,139	-	550,139
NET ASSETS, end of year	\$ 438,950	\$ 120,322	\$ 559,272	\$ 487,157	\$ 50,744	\$ 537,901

See independent accountants' review report and accompanying notes.

TOUCHSTONES DISCUSSION PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2021 and 2020

	Program Expenses									Management and General				Total	
	Veterans	US Schools	Correctional Facilities	Executive Development	International Schools	Community/Adult	New K-12 Program Development	New Business Development	K-12 Workshops	Total	COVID-19	Other	Total	Fundraising	All Funds 12/31/2021
Salaries and wages	\$ 2,330	\$ 32,179	\$ 597	\$ 27,048	\$ 3,714	\$ 8,802	\$ 15,600	\$ 3,808	\$ 26,317	\$ 120,395	\$ 6,964	\$ 22,907	\$ 29,871	\$ 31,751	\$ 182,017
Benefits and payroll taxes	132	5,863	60	3,443	1,986	2,713	3,649	1,760	3,033	22,639	804	2,437	3,241	4,306	30,186
Printing/design	629	4,927	-	-	162	-	102	-	56	5,876	-	-	-	534	6,410
Shipping and handling	41	890	-	-	73	-	331	-	-	1,335	-	-	-	527	1,862
Meals and entertainment	107	930	-	272	-	101	28	-	923	2,361	-	488	488	2,740	5,589
Hotel and transportation	301	3,835	-	1,949	-	80	10	242	336	6,753	-	-	-	276	7,029
Accounting	-	3,730	450	2,390	750	1,090	1,050	250	1,500	11,210	1,250	860	2,110	2,140	15,460
Legal - trademark and copyright	-	-	-	-	-	-	-	-	30,105	30,105	-	-	-	-	30,105
Donated services	4,750	-	-	16,000	-	6,000	3,900	2,500	6,500	39,650	-	2,500	2,500	15,000	57,150
ISBN/permissions/copyrights	-	-	-	-	-	-	-	-	325	325	-	-	-	-	325
Bank charges	-	1,429	-	552	325	281	-	-	221	2,808	-	48	48	1,213	4,069
Consultants	-	1,200	-	1,256	1,965	100	1,115	240	300	6,176	2,300	-	2,300	1,698	10,174
Office equipment and supplies	100	1,533	-	256	252	380	1,445	41	189	4,196	1,239	1,126	2,365	2,091	8,652
Dues and subscriptions	-	1,156	-	937	1,212	499	1,887	412	756	6,859	143	467	610	845	8,314
Facility expense	55	3,691	50	6,098	1,060	1,308	916	650	2,627	16,455	-	-	-	3,590	20,045
Interest expense	-	32	-	-	-	-	-	-	39	71	-	24	24	-	95
Insurance	46	377	826	137	-	769	68	46	91	2,360	-	(75)	(75)	23	2,308
Marketing	-	143	-	-	-	-	615	-	244	1,002	-	-	-	106	1,108
Telephone and internet	87	763	-	766	161	388	268	108	639	3,180	396	157	553	830	4,563
TOTAL EXPENSES	8,578	62,678	1,983	61,104	11,660	22,511	30,984	10,057	74,201	283,756	13,096	30,939	44,035	67,670	395,461

See independent accountants' review report and accompanying notes.

	Program Expenses									Management and General				Total	
	Veterans	US Schools	Correctional Facilities	Executive Development	International Schools	Community/Adult	New K-12 Program Development	New Business Development	K-12 Workshops	Total	COVID-19	Other	Total	Fundraising	12/31/2020
Salaries and wages	\$ 6,912	\$ 19,870	\$ 12,974	\$ 7,972	\$ 2,444	\$ 15,080	\$ 11,478	\$ 1,801	\$ 10,895	\$ 89,426	\$ 8,891	\$ 21,563	\$ 30,454	\$ 22,905	\$ 142,785
Benefits and payroll taxes	824	3,387	3,444	2,685	367	2,471	1,868	545	2,421	18,012	2,566	1,601	4,167	5,690	27,869
Printing/design	3,930	10,116	-	-	-	666	34	-	-	14,746	-	-	-	-	14,746
Shipping and handling	23	1,322	-	118	-	30	110	54	21	1,678	-	27	27	1,380	3,085
Meals and entertainment	295	76	75	34	-	604	-	100	45	1,229	-	280	280	310	1,819
Hotel and transportation	73	280	138	2,283	-	27	-	281	10	3,092	-	315	315	570	3,977
Accounting	1,479	1,897	948	1,039	900	308	120	104	300	7,095	8,055	1,143	9,198	931	17,224
Legal - trademark and copyright	-	-	-	-	2,209	-	-	-	8,850	11,059	-	-	-	-	11,059
Donated services	-	1,000	-	32,809	-	18,221	3,000	1,000	3,000	59,030	1,000	2,221	3,221	21,596	83,847
ISBN/permissions/copyrights	250	-	-	-	-	-	-	-	-	250	-	-	-	-	250
Bank charges	-	309	-	245	100	356	194	-	110	1,314	-	203	203	1,525	3,042
Consultants	4,707	841	712	6,254	434	1,158	1,245	547	129	16,027	2,375	2,552	4,927	6,286	27,240
Office equipment and supplies	288	607	912	754	-	259	68	181	369	3,438	3,424	4	3,428	1,292	8,158
Dues and subscriptions	25	448	639	858	104	628	332	64	167	3,265	220	609	829	751	4,845
Facility expense	297	2,551	2,501	4,000	545	1,856	749	740	1,504	14,743	877	36	913	2,977	18,633
Interest expense	161	272	120	553	103	354	(10)	-	202	1,755	260	-	260	(17)	1,998
Insurance	132	600	703	396	14	954	91	-	489	3,379	60	-	60	446	3,885
Marketing	-	33	-	-	-	20	-	-	6,913	6,966	-	-	-	6,913	13,879
Telephone and internet	64	821	844	795	36	471	497	117	412	4,057	605	7	612	662	5,331
TOTAL EXPENSES	19,460	44,430	24,010	60,795	7,256	43,463	19,776	5,534	35,837	260,561	28,333	30,561	58,894	74,217	393,672

See independent accountants' review report and accompanying notes.

TOUCHSTONES DISCUSSION PROJECT, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,371	\$ (12,238)
Adjustments to reconcile total change in net assets to net cash (used in) provided by operating activities:		
Gain on debt forgiveness - paycheck protection program	(29,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,901)	14,635
Unconditional promises to give	(500)	35,870
Inventory	6,015	2,105
Accounts payable	(1,589)	(16,388)
Deferred revenue	-	(1,600)
Net cash (used in) provided by operating activities	(5,604)	22,384
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on line of credit	-	(20,901)
Proceeds from EDIL loan	48,500	151,200
Proceeds from paycheck protection program loan	-	29,000
Net cash provided by investing activities	48,500	159,299
Net increase in cash	42,896	181,683
Cash and cash equivalents, beginning of year	229,855	48,172
Cash and cash equivalents, end of year	\$ 272,751	\$ 229,855
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 95	\$ 1,998

See independent accountants' review report and accompanying notes.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Touchstones® Discussion Project, Inc. (“Touchstones”) is a not-for-profit organization incorporated in the State of Maryland in 1996. Touchstones uses a proprietary seminar and evaluation method to train teachers, students, executives, seniors, prisoners, and civic and government officials to think critically, build community, and lead collaboratively in the United States of America and around the world.

Academically rigorous yet accessible to all, Touchstones school, after-school, homeschooling, executive, continuing education and workforce development programs support learners in developing essential 21st Century skills. Those skills include active listening, responsive speaking, cooperative learning and collaborative leadership. All participants in Touchstones strengthen their own analytical reasoning, recognize their own assumptions and presuppositions, and evaluate and connect prior knowledge to new information for strategic and creative problem solving. Touchstones has been called the democratization of American education because it values and includes input from all members of a group—regardless of age, background, or circumstance.

Touchstones programs are most widely in use in general education programs and are also in place for advanced learners, ESL and ELL students, International Baccalaureate diploma programs, Advanced Placement, AVID elective and critical reading, students with special needs, and inclusive classrooms. In addition, Touchstones executive and adult programs are used in corporate and private group settings, as well as within institutions, to enhance professional practice and optimize team collaboration and output.

Touchstones programs are in more than 47 countries and have been translated from English to Arabic, Burmese, French, Haitian Kreyòl, and Spanish. More than five million people have participated in Touchstones programs since the organization was founded in 1984.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Description of Programs

K-12 School Programming, Enrichment and After School Programs, Youth Workforce Development, Educational Conferences, & Teacher Professional Development

Teacher Training, Instructional Support, and Digital Contracts

In 2021, Touchstones led 19 workshops for educators, administrators, and volunteers in the US and Canada. These workshops were held both online and in-person for educators at the K-12 and College level and including coaching, Open Enrollment Workshops, Exploring American Perspectives training, and classroom observation tailored to the needs of the school or program. On average, about 15 people attended each workshop for a total of about 170 participants receiving continued or introductory training and professional development from Touchstones staff.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of Programs

Teacher Training, Instructional Support, and Digital Contracts (continued)

These interactive workshops provide teachers with hands-on experience leading inclusive discussions, strategies for continued development in discussion leadership, and tools to identify and devise solutions to issues in discussion dynamics. Educators learn to include students in evaluating their own and the classes' outcomes, as the teacher models active listening and respectful engagement with all students, measures student progress over time, and assesses and refines their own professional skills as leaders and classroom managers throughout the year. In-class coaching provided by Touchstones staff affords additional and tailored guidance to support continued development in instructional and leadership capacities. Teachers using Touchstones often report becoming more skilled and confident in their leadership roles as well as in activities outside the classroom.

As part of our outreach and direct engagement in delivering training services, Touchstones provided 80 scholarship seats to volunteers and educators who sought Touchstones training and professional development but had no funding. This ensures that educators and volunteers are able to bring inclusive discussion to their communities regardless of financial limitations.

In addition to providing exceptional professional development training to existing and new customers, we delivered print and digital school curriculum to more than 28 schools in 18 states, the District of Columbia, the UK, and Ontario, Canada. We estimate more than 3,000 new students were introduced to Touchstones in those schools alone—joining the many tens of thousands of other students around the U.S. and the world whose teachers already use Touchstones curricula in their classrooms. These new engagements are distinct from those described in the next section.

To bring Touchstones into more classes online, we expanded the number of digital programs available to include almost all of our English and French volumes, as well as our middle school math and science and community service programs. We secured a province-wide contract with the Bureau de l'éducation française in Manitoba, Canada, which provided access to Touchstones programs to hundreds of educators and more than 19,000 students in that province. Through grants related to school program development, we expanded partnerships with Washington Latin Public Charter School in Washington, DC, and public and public/charter schools in Wilmington, DE.

Touchstones launched a new professional development program online in 2020 called the "Fellows Program," using our curriculum *Exploring American Perspectives, Vol 1*. This online training program responded to the growing awareness among teachers and students of the need to develop and practice skills of civil discourse in the classroom. In 2021, Touchstones staff replicated the "Fellows Program" twice to provide more than 40 hours of intensive professional development in total to 18 educators. Over both eight-week programs, each teacher worked with Touchstones staff to prepare for and then lead a Touchstones discussion and evaluation with their peers.

Guided and trained by the Touchstones staff, each cohort explored issues of voice, perceived legitimacy, active listening, marginalization, bias, and inclusion through the lenses of African American and Black authors, poets, politicians, artists, and philosophers. This intensive and immersive experience in the Touchstones method and curricula offers all participants the opportunity to explore their own strengths and identify areas for continued development as discussion leaders.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of Programs (continued)

After School/Enrichment Programs

To meet the developmental and social needs of children outside the school environment—particularly during a time when many children were schooled remotely—Touchstones launched its own programs to bring students together for meaningful connected and continued learning. Touchstones staff ran two fee-based online leadership programs for middle-school and high school students on the West Coast. Touchstones staff also developed and ran two weeks of free summer enrichment programming for middle school aged learners in Queenstown, MD. Students used Touchstones lessons to develop shared leadership and discussion skills during the first week of the program, and the second week focused on lessons in creative writing and math and science pulled from Touchstones volumes. An optional art workshop that reinforced the students’ sense of discovery was delivered by a local artist and underwritten by Touchstones, for all interested students.

As students and teachers headed back to school, Touchstones designed and offered free discussion-based lessons centered around stories from *The House on Mango Street* by Sandra Cisneros. Those lessons were provided in both English & Spanish and were disseminated to educators throughout the fall, in parallel with the National Endowment for the Arts’ Big Read programming nationwide. Our lessons were shared with 50 educators and more than 1,000 students participated across 20 states and abroad.

Adult and Community Programs

In 2021, Touchstones held an online art raffle featuring two works by Dr. Elliott Zuckerman, who bequeathed more than 180 paintings to the Touchstones Discussion Project in 2019 when he passed away. His gift left an entire collection of his works to support Touchstones’ educational programs. Over the course of four weeks, 235 tickets were sold and generated \$4,500+ in ticket sales. Throughout the raffle period, Touchstones staff and volunteers engaged local communities in learning more about Touchstones’ work in education. Each painting is accompanied by a custom Touchstones discussion lesson plan. These lessons will be compiled and edited for use in a Touchstones Discussion Project art volume for release within the next several years.

Community Program Online

At the beginning of the pandemic in 2020 and in recognition of the types of support and contact that people would need during periods of great uncertainty and potential isolation, Touchstones initiated a free online twice-monthly discussion program with the topic of community and connections as its central focus. This Saturday morning program continued throughout 2021, and a Thursday evening program was added to engage additional participants. The discussions engaged Touchstones staff, volunteers, community members, board members, and those new to Touchstones in lively and thoughtful discussions about community and our responsibilities as members of society. Touchstones staff and trained volunteers ran more than 30 discussions, which included 126 different individuals participating in at least one discussion session, with ten participants (on average) attending each session.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adult and Community Programs (continued)

Programs with Incarcerated Adults

Due to the global pandemic, there was no Touchstones programming during 2021 at any of the prisons or detention centers where weekly programs had been in place prior to March 2020.

Veterans Programs

Touchstones ran a veterans' volunteer training in Annapolis, MD to re-engage the volunteer corps after the pandemic and discuss goals and ideas for veterans' programs going forward. 12 participants, including three staff members, met in person in August 2021 to explore issues of connection and homecoming using a lesson from our veteran-focused program, *Completing the Odyssey: A Journey Home*. Between 2018-2021, Touchstones trained approximately 16 veterans to run this program and, with them, piloted implementations including more than 50 veterans. Due to continued pandemic-related public safety concerns throughout most of 2021, there was no additional programming for veterans aside from informal gatherings organized by Touchstones.

Older Adults

Because of the pandemic and the extreme vulnerability of older populations, existing Touchstones programming with the elderly and the development and piloting of new programs for this population was halted in 2020. In 2019, Touchstones had completed work on *Elderstones Volume 1*, the first volume in a new series designed specifically for older adults experiencing cognitive decline or impairment. The materials in *Elderstones* were to have been piloted extensively in 2020 in multiple memory care facilities to engage staff, family, and residents in active learning and constructive socialization. The project is expected to expand as the pandemic eases, based on encouraging data from the pilot period, once local and national health conditions permit renewed contact with this population in-person.

Leadership & Executive Development Programs

Executives and managers in different types and sizes of businesses and organizations gain a better sense of teamwork through custom Touchstones programs. Executives systematically improve how they access, assess, and utilize diverse perspectives and collective knowledge in problem-solving. At the same time, Touchstones workshops or custom programs help them identify and grow leadership capacity, build more inclusive and cohesive teams, and improve organizational functionality and management. These programs take place with teams in non-profit and higher ed leadership, corporate settings, and governmental agencies. Touchstones staff continues to work with potential subcontractors to build organizational capacity that will deliver more transformational and inclusive engagement in a growing market.

In 2021, Touchstones ran custom programs online for executives located across the United States, including Delaware, New York, Colorado, Maryland, Illinois, California, Virginia, and Washington. This programming brings executives together to explore topic-oriented programs such as "Listening to the Voices of Women Thinkers" and "Contemporary American Poetry." Both of these programs use discussion as a forum for examining how gender and identity shape our self-concepts and our society and how writers respond to and influence emerging environments.

In addition, Touchstones staff ran two multi-day customized programs on collaborative leadership for the University of Nevada, Las Vegas' Department of Criminal Justice Master's Program in Emergency and Crisis Management. These custom programs for policy experts, professionals, executives, and those wishing to enter these fields, each engaged about 40 graduate students and faculty.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of Programs (continued)

Marketing & Social Outreach Programs

Since the pandemic began in March of 2020, the way that we interact with one another personally and professionally has shifted drastically. Within most fields, many professionals now work in hybrid or remote environments and rely more heavily on technology to stay connected. To meet the new and emerging needs arising from these changes in 2021, Touchstones continued exploring how to best leverage our decades of experience in building authentic connection and community through discussion training and programs.

At a time when people need skills of civil discourse, critical thinking, creative problem solving, cooperation, and collaboration more than ever, Touchstones is rising to the challenge. In conjunction with the Executive, Community and K-12 programs and outreach, in 2021 Touchstones redoubled its online presence through social media engagement, newsletter and blog publications, and more outreach to current and prospective volunteers. In addition, we continued stewardship and cultivation of relationships with advocates and donors, to report on how charitable support to Touchstones yields immediate and direct benefit at the individual and societal level. We also retooled our website to enliven the user experience and streamline access to important information about our mission and work in education. During the first four months of this initiative (Fall 2021), our engagement across four social media platforms (Instagram, Facebook, Twitter, and LinkedIn) grew exponentially. We saw an over 700% increase in impressions, 50% growth in engagement and 250% growth in followers. As our world changes, Touchstones will continue to evolve and adapt to maximize the benefits of our unique and highly effective discussion-based trainings and programs that build a more inclusive world for all people.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory consists of books for resale and paintings that were contributed as part of a planned estate. Book inventory is stated at the lower of cost or market, determined using the first-in, first-out method (FIFO), Art inventory is valued based on the cost of the materials and custom lesson plan.

Revenue Recognition and Unconditional Promises to Give

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Grant funds received as an exchange transaction are recognized as income when associated costs are expended. Using the direct method, receivables are charged off when deemed by Touchstones to be uncollectible.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue

Touchstones reports grants and contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the time period or manner of use of the grant or contribution. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents, as shown in the accompanying statements of cash flows, includes cash in the operating and money market accounts. Touchstones considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Donated Services and Facilities

Donated services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by the individuals possessing those skills and would typically need to be purchased if not provided by donation. The accompanying financial statements include \$57,150 and \$83,847 of donated services for the years ended December 31, 2021 and 2020, respectively. In addition, Touchstones received services for various matters which are unable to be valued.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Credit Risk

Touchstones maintains cash deposits in various financial institutions. At any given time during the year, the balances may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). To date, we have not experienced losses in any of these accounts.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 was restricted has been fulfilled, or both.

Upcoming Pronouncement

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets referred to as "Lessees" to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months.

Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet the new ASU will require both types of leases (i.e. operating and capital) to be recognized on the

The FASB lessee accounting model will continue to account for both types of leases. The capital lease will be accounted for in substantially the same manner as capital leases are accounted for under existing GAAP. The operating lease will be accounted for in a manner similar to operating leases under existing GAAP, except that lessees will recognize a lease liability and a lease asset for all of those leases. The leasing standard will be effective for calendar year-end non-public companies *beginning* after December 15, 2021, therefore being effective for Touchstones' fiscal year 2022. Management is currently evaluating the impact of this standard on the Touchstones' consolidated financial statements.

Accounts Receivable

Touchstones' accounts receivable derive from sales of program material. Accounts receivable are stated at the invoice amount. Accounts receivable are written off when management deems them uncollectible. No allowance for uncollectible accounts is provided in the statements because management does not deem this necessary based on historical collection experience.

Date of Management's Review

Touchstones has evaluated events and transactions that occurred during the period from the date of the financial statements through September 30, 2022, the date the financial statements were available to be issued. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in Touchstones' financial statements.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 - FUNCTIONALIZED 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 expenses that are allocated are personnel expenses and consulting fees. These are allocated on the basis of actual time worked per program or supporting function.

NOTE 3 - RETIREMENT PLAN

Touchstones has a 403(b) tax deferred retirement plan that is open to all employees for voluntary participation. Touchstones is not obligated to make contributions to the plan but may do so for participating employees. Touchstones made no contributions to this for the years ended December 31, 2021 and 2020, respectively.

NOTE 4 - INCOME TAXES

Touchstones is organized as a Maryland nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), it qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. We have determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

NOTE 5 - OPERATING LEASE

In March of 2011, Touchstones entered into a one year operating lease for office space in Stevensville, Maryland. This agreement has been extended various times and expires in March 2027.

Rent expense totaled \$17,758 and \$17,649 for the years ended December 31, 2021 and 2020, respectively, inclusive of property taxes and maintenance charges.

Future minimum lease commitments under non-cancellable operating leases are as follows:

2022	18,091
2023	18,543
2024	19,006
2025	19,482
Thereafter	24,992
	<u>\$ 100,114</u>

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 - LINE OF CREDIT

Touchstones has a line of credit with a local financial institution. The total amount available on the line of credit is \$30,000. The line of credit bears a variable interest rate. The principal outstanding balance was \$0 as of December 31, 2021 and 2020.

NOTE 7 - INVENTORY

Inventory is comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Finished Goods (Books and Publications)	\$ 1,716	\$ 1,931
Artwork	<u>145,350</u>	<u>151,150</u>
Total	<u>\$ 147,066</u>	<u>\$ 153,081</u>

NOTE 8 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2021</u>	<u>2020</u>
Unconditional Promises	<u>\$ 324,860</u>	<u>\$ 326,360</u>
Amounts Due In:		
Less than One Year	\$ 48,110	\$ 36,200
One to Five Years	<u>276,750</u>	<u>38,160</u>
More than Five Years	<u>-</u>	<u>250,000</u>
Total	<u>\$ 324,860</u>	<u>\$ 324,360</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021, are available for the following purpose:

Correctional facilities	\$ 12,822
Delaware Public Charter Schools	25,000
Washington Labtin Pub Charter School	5,000
Expansion of digital products	2,000
Learning program supporting high need students	<u>1,500</u>
	<u>\$ 46,322</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during fiscal years ended December 31, 2021 are as follows:

Purpose restrictions accomplished:	
Correctional facilities	<u>\$ 922</u>

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available to meet cash needs for general expenditure within one year of the balance sheet date, that is, without donor or other restrictions limiting their use, comprise the following:

Cash and cash equivalents	\$ 272,751
Accounts receivable	21,720
Unconditional promises to give	48,110
Less endowment funds and restricted net assets	<u>(120,322)</u>
	<u><u>\$ 342,581</u></u>

NOTE 11 - ENDOWMENTS

The Board of Directors has resolved to establish the Touchstones Founders' Fund to meet identified strategic goals and support the organization's mission in perpetuity. Goals established in multi-year strategic plans ensure the organization is preparing long-term for organizational needs and growth that support maximized outreach and impact. Goals in the 2022-2025 strategic plan include updating the website to enhance and streamline user experience and support easier access to digitized content and expanding our program offerings and engagement online and in-person for learners of all ages and educators with diverse needs. The plan also includes developing a leadership succession plan for executive management and expanding the Board and staff to increase organizational capacity and more fully represent the communities we serve.

Interpretation of Relevant Law

Touchstones has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Touchstones retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Touchstones in a manner consistent with the standard of prudence prescribed by the UPMIFA. Touchstones considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 - ENDOWMENTS (continued)

Spending Policy

The Treasurer together with the Finance Committee or other appropriate committee must provide a budget each year to the Board for anticipated expenses for the Endowments. Once approved by the Board, the committee will be able to spend the amounts budgeted. Any anticipated cost overages will have to be approved, in advance, by the Treasurer, and, if significant, by the Executive Committee or Board. Under special circumstances, the Board Chair may give special approval for an out of budget expense.

Return Objective and Risk Parameters

Touchstone's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. Touchstones recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. Touchstones has a preference for simple investment structures which have lower cost, easier oversight, lower risk, and less complexity for internal financial management and auditing.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Touchstones to retain as a fund of perpetual duration. In accordance with the accrual basis of accounting, there were no material deficiencies of this nature reported in net assets without restrictions as of December 31, 2021.

As of December 31, 2021, Touchstones had the following endowment net asset composition:

	<u>With donor <i>purpose</i> restrictions</u>	<u>With donor <i>perpetual</i> restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 74,000	\$ 74,000

Changes in the endowment net assets for the year ended December 31, 2021 are as follows:

	<u>With donor <i>purpose</i> restrictions</u>	<u>With donor <i>perpetual</i> restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ -	\$ 37,000	\$ 37,000
Contributions	-	37,000	37,000
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 74,000</u>	<u>\$ 74,000</u>

NOTE 12 - COMPENSATED ABSENCES

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. Touchstones' policy is to recognize these costs when actually paid.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a strain of coronavirus (COVID-19) originated in China and spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency. It is anticipated that the impacts of this will continue for some time. One such impact is the closing of schools in conjunction with local self-quarantine orders. Touchstones closed their offices from mid-March 2020 until June 6, 2020 and cancelled in person workshops and training during this period but began implementing online seminars in place of those that were cancelled. Likewise in 2021, several large workshop contracts were booked and subsequently cancelled due to COVID-related school closures or funding reductions. There were also several large book orders that were cancelled due to state and municipal funding being diverted to address the pandemic. There have been no other impacts to Touchstones operations to date. However, future potential impacts to Touchstones include a decrease in revenue, a decrease in liquidity and financial assets, and disruptions or delays in special events to be held. Changes to the operating environment may also occur. The future effects of these issues are

NOTE 14 - Paycheck Protection Program Note

On May 1, 2020, Touchstones was granted a loan from the Small Business Administration ("SBA") in the amount of \$29,000, pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("CARES, Act"), which was enacted March 27, 2020. On February 11, 2021, Touchstones was granted a second loan from the SBA in the amount of \$32,900 pursuant to the PPP under The Economic Aid to Hard-Hit Small Business, Nonprofits and Venues Act ("Economic Aid Act"), which was enacted on December 27, 2020.

According to the U.S. Small Business Administration, Touchstones met the requirements for loan forgiveness and both of these loans were forgiven during the year ended December 31, 2021. The proceeds from the loans are recorded as contributions. Included in Grants is \$61,900 for these loan proceeds at December 31, 2021.

NOTE 15 - EMPLOYEE RETENTION CREDITS

In response to the coronavirus (COVID-19) outbreak in 2020, the CARES Act to provide \$1 trillion towards building a bridge to economic recovery for working families. As part of the plan, refundable employee retention credits were provided to employers whose operations were suspended due to COVID-19 or whose revenue significantly decreased. The employment tax credit is equal to 50% of the qualified wages paid between March 13, 2020 and December 31, 2020, with a maximum credit of \$5,000 per employee. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

Touchstones qualified for the tax credit under the American Rescue Plan for qualified wages through December 31, 2021. Grants for the ERC at December 31, 2021 was \$4,636 which represents refunds from the 2021 Form 941 Employer Quarterly Federal Tax Return for the quarter ended March 31, 2021.

TOUCHSTONES DISCUSSION PROJECT, INC.
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NOTE 16 - NOTES PAYABLE

Notes payable is summarized below as of December 31:

	2021	2020
Economic Injury Disaster Loan (EIDL) obtained from Small Business Administration (SBA). The loan is secured by the assets of the Organization. The loan has a monthly payment of \$890, interest at 2.75% and maturity date of June 6, 2050.	\$ 150,000	\$ 150,000
Less: Current portion	(2,172)	-
	\$ 147,828	\$ 150,000

Principal maturities on long-term debt are as follows:

For the year ending December 31:

2022	\$ 2,172
2023	5,315
2024	5,463
2025	5,615
2026	5,771
Thereafter	125,664
	\$ 150,000

NOTE 17 - RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had *no effect* on net assets.