

TOUCHSTONES DISCUSSION PROJECT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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To the Board of Directors
Touchstones Discussion Project, Inc.

We have reviewed the accompanying statements of financial position of Touchstones Discussion Project, Inc. (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Touchstones Discussion Project, Inc..

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

Davis, Josey, Keating & Ranes, LLC

March 20, 2010

TOUCHSTONES DISCUSSION PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 126,879	\$ 138,839
Accounts Receivable	16,600	7,999
Inventory	<u>18,530</u>	<u>29,943</u>
Total Current Assets	162,009	176,781
Furniture and Equipment, Net	<u>1,152</u>	<u>5,400</u>
Total Assets	\$ <u>163,161</u>	\$ <u>182,181</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 3,765	\$ ---
Accrued Expenses	<u>15,579</u>	<u>---</u>
Total Current Liabilities	<u>19,344</u>	<u>---</u>
Total Liabilities	19,344	---
Net Assets		
Unrestricted	65,878	182,181
Temporarily Restricted	<u>77,939</u>	<u>---</u>
Total Net Assets	<u>143,817</u>	<u>182,181</u>
Total Liabilities and Net Assets	\$ <u>163,161</u>	\$ <u>182,181</u>

See accompanying notes and accountant's report.

TOUCHSTONES DISCUSSION PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Program Revenue	\$ 316,073	\$ ---	\$ 316,073
Less: Cost of Program Revenue	<u>(137,613)</u>	<u>---</u>	<u>(137,613)</u>
Net Program Revenue	178,460	---	178,460
Contributions	75,475	160,000	235,475
Interest	179	---	179
Other	<u>---</u>	<u>---</u>	<u>---</u>
	75,654	160,000	235,654
Net Assets Released from Restrictions	<u>82,061</u>	<u>(82,061)</u>	<u>---</u>
Total Revenue and Support - Increase in Net Assets	336,175	77,939	414,114
EXPENSES			
Program Services			
Executives and Adults	130,990	---	130,990
Colleges	9,365	---	9,365
Schools	166,053	---	166,053
Corrections	30,403	---	30,403
Seniors	<u>23,539</u>	<u>---</u>	<u>23,539</u>
	360,350	---	360,350
Supporting Services			
Management and General	70,659	---	70,659
Fundraising	<u>21,469</u>	<u>---</u>	<u>21,469</u>
	<u>92,128</u>	<u>---</u>	<u>92,128</u>
Total Expenses - Decrease in Net Assets	<u>452,478</u>	<u>---</u>	<u>452,478</u>
Change in Net Assets	(116,303)	77,939	(38,364)
Net Assets, Beginning of Year	<u>182,181</u>	<u>---</u>	<u>182,181</u>
Net Assets, End of Year	\$ <u>65,878</u>	\$ <u>77,939</u>	\$ <u>143,817</u>

See accompanying notes and accountant's report.

TOUCHSTONES DISCUSSION PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Program Revenue	\$ 492,554	\$ ---	\$ 492,554
Less: Cost of Program Revenue	<u>(142,238)</u>	<u>---</u>	<u>(142,238)</u>
Net Program Revenue	350,316	---	350,316
Grant Income	---	---	---
Contributions	71,680	---	71,680
Interest	1,192	---	1,192
Other	<u>120</u>	<u>---</u>	<u>120</u>
	72,992	---	72,992
Net Assets Released from Restrictions	<u>39,787</u>	<u>(39,787)</u>	<u>---</u>
Total Revenue and Support - Increase in Net Assets	463,095	(39,787)	423,308
EXPENSES			
Program Expenses			
Executives and Adults	148,974	---	148,974
Colleges	---	---	---
Schools	90,916	---	90,916
Corrections	21,856	---	21,856
Seniors	<u>15,240</u>	<u>---</u>	<u>15,240</u>
	276,986	---	276,986
Supporting Services			
Management and General	193,132	---	193,132
Fundraising	<u>11,003</u>	<u>---</u>	<u>11,003</u>
	<u>204,135</u>	<u>---</u>	<u>204,135</u>
Total Expenses - Decrease in Net Assets	<u>481,121</u>	<u>---</u>	<u>481,121</u>
Change in Net Assets	(18,026)	(39,787)	(57,813)
Net Assets, Beginning of Year	<u>200,207</u>	<u>39,787</u>	<u>239,994</u>
Net Assets, End of Year	\$ <u>182,181</u>	\$ <u>---</u>	\$ <u>182,181</u>

See accompanying notes and accountant's report.

TOUCHSTONES DISCUSSION PROJECT, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (38,364)	\$ (57,813)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	577	6,490
Loss on Disposal of Fixed Assets	3,671	---
Changes in Assets and Liabilities:		
Accounts Receivable	(8,601)	23,911
Inventory	11,413	14,186
Prepaid Expenses	---	4,648
Accounts Payable	3,765	---
Accrued Expenses	<u>15,579</u>	<u>---</u>
Net Cash Used by Operating Activities	(11,960)	(8,578)
CASH FLOWS FROM INVESTING ACTIVITIES		
	---	---
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>---</u>	<u>---</u>
Net Decrease in Cash	(11,960)	(8,578)
Cash and Cash Equivalents, Beginning of Year	<u>138,839</u>	<u>147,417</u>
Cash and Cash Equivalents, End of Year	\$ <u>126,879</u>	\$ <u>138,839</u>
SUPPLEMENTAL DISCLOSURES:		
Income Taxes Paid	\$ <u>---</u>	\$ <u>---</u>
Interest Paid	\$ <u>1,714</u>	\$ <u>---</u>

See accompanying notes and accountant's report.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 - ORGANIZATION AND PURPOSE

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 process evaluation method to train teachers, students, executives, seniors, prisoners, and civic and governmental officials to think critically, build community, and lead collaboratively in the United States and around the world. Touchstones Discussion Project has trained thousands of teachers in its discussion method and more than 1,000,000 students of all ages have participated in its programs. The Touchstones method is used throughout the United States and overseas in Brazil, Canada, China, Gaza, Georgia, Haiti, Jamaica, Japan, Jordan, Kazakhstan, Myanmar, South Africa, Taiwan, and Tanzania.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant risk on cash. There were no uninsured balances at December 31, 2009 or 2008.

Cash and cash equivalents include money market funds totaling \$0 and \$17,807 at December 31, 2009 and 2008, respectively.

Furniture and equipment

Furniture, equipment and software are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset.

Inventory

Inventory consists of books for resale. Inventory is stated at the lower of cost or market, determined using the first-in, first-out method (FIFO).

Revenue Recognition

Book sales include shipping and handling and are recognized as revenue at the time of shipment. Revenue from seminars and educational programs is recognized upon completion of the program.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, the receipt of restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues in the statement of activities.

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 the reported amounts of assets and liabilities and disclosure of contingencies at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

Touchstones is a not-for-profit organization exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. In addition, Touchstones qualifies for the charitable contribution deduction under §170(1)(A) and has been classified as an organization other than a private foundation under §509(a)(2).

Contingency

In the normal course of business, the Organization may become involved in legal disputes from time to time. At December 31, 2008, the Organization was involved in such a dispute. This dispute was settled during 2009 for \$2,000.

Subsequent Events

Management has evaluated subsequent events through March 20, 2010, the date the financial statements were available to be issued.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 3 - DESCRIPTION OF PROGRAMS

Executives and Adults

Executives and managers in government agencies, not-for-profit organizations, and businesses large and small gain a better sense of teamwork through Touchstones discussions. They improve their ability to collaborate on projects and build their leadership skills.

Colleges

College students learn to tackle challenging issues and academic concepts as part of a collaborative seminar, preparing them to work independently and in teams. They learn to overcome the passivity that characterizes pre-college learning and take initiative in shaping their college experience.

Schools

Students in grades 3 to 12 learn to question, listen, and cooperate. These skills transfer to other coursework and apply to life outside of school. Academically rigorous yet accessible to all, Touchstones helps students of all academic abilities become true collaborators in their own learning.

Corrections

Inmates reflect on their values and choices and take greater responsibility for their actions. By building respect and cooperation behind bars, Touchstones helps participants improve their lives within prison and prepares them for life after prison.

Seniors

Touchstones discussions provide a welcoming and friendly environment for senior citizens to stay intellectually engaged through exploring new ideas and perspectives as presented by their peers and developing community and friendships with others in the program. Drawing from their own experiences, the seniors engage in lively and enriching discussions that carry on well after the sessions have come to a close.

NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Furniture, Equipment and Software	\$ 2,883	\$ 45,585
Less: Accumulated Depreciation	<u>(1,731)</u>	<u>(40,185)</u>
Total	\$ <u>1,152</u>	\$ <u>5,400</u>

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 4 - FURNITURE AND EQUIPMENT (CONTINUED)

Furniture and equipment are depreciated over the estimated useful lives as follows:

Equipment	5 years
Furniture	7 years
Software	3 years

Depreciation expense for the years ended December 31, 2009 and 2008 was \$577 and \$6,490, respectively.

NOTE 5 - DONATED SERVICES

Touchstones receives donated services from unpaid volunteers assisting the organization with various management and program service functions. No amounts have been recognized for these services in the accompanying statement of activities, because the criteria for recognition of such volunteer effort under generally accepted accounting principles has not been met.

NOTE 6 - 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. Contributions to this plan for the years ended December 31, 2009 and 2008 were \$4,625 and \$18,638, respectively.

NOTE 7 - OPERATING LEASE

Touchstones leases office space under an operating lease which terminated on May 14, 2009. This lease was extended to May 14, 2010 and is expected to be renewed.

The following is a schedule of future minimum lease payments under this operating lease:

<u>Year Ended December 31,</u>	<u>Amount</u>
2010	\$ <u>7,875</u>

Rent expense for the years ended December 31, 2009 and 2008, exclusive of property taxes and maintenance charges, totaled \$21,158 and \$21,000, respectively.

TOUCHSTONES DISCUSSION PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE AMOUNTS FOR 2008)

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
IIS Grant - Middle East New Volume Development - (\$75,000) - Funds are used for program expansion in Jordan and the Middle East or to be applied elsewhere if programming there is not sustainable	\$ 52,708	\$ ---
IIS Grant - Middle East Other - Professional Development and In-Country Training (\$30,000) - Funds are used to provide Touchstones training for Jordan Ministry of Education Core Team and Arabic Curriculum Supervisors over a two-year period and		
IIS Grant - Middle East Other - Translation of New and Existing Materials (\$45,000) - Funds are used to make new and existing materials and resources available in Arabic for teachers in Jordan	<u>25,231</u>	<u>---</u>
	\$ <u>77,939</u>	\$ <u>---</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>2009</u>	<u>2008</u>
To train and monitor program implementation at Goodnow/Police Athletic League in Baltimore	\$ ---	10,984
To pay for general operating support for Touchstones' California program	---	28,803
To fund program expansion in Jordan and the Middle East	22,292	---
To provide Touchstones training for Jordan Ministry of Education Core Team and Arabic Curriculum Supervisors over a two-year period and to make new and existing materials and resources available in Arabic for teachers in Jordan	49,769	---
To sustain and expand the weekly Touchstones Prison Program at Maryland Corrections Institute at Jessup	<u>10,000</u>	<u>---</u>
	\$ <u>82,061</u>	\$ <u>39,787</u>