

**TOUCHSTONES DISCUSSION PROJECT, INC.**

**FINANCIAL REPORT**

**December 31, 2017 and 2016**

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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 statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

***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.

***Report on 2016 Financial Statements***

The financial statements of *Touchstones Discussion Project, Inc.* as of December 31, 2016, were reviewed by other accountants whose report dated October 4, 2017, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*JBS & Company, LLC*

Stevensville, MD  
June 6, 2018

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 35,700	\$ 28,558
Accounts receivable	52,549	33,317
Unconditional promises to give	114,988	100,401
Inventory	1,619	2,614
Total current assets	<b>204,856</b>	164,890
Unconditional promises to give - long term	10,000	100,855
<b>TOTAL ASSETS</b>	<b>\$ 214,856</b>	<b>\$ 265,745</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,361	\$ 12,985
Accrued expenses	4,363	10,475
Total current liabilities	<b>\$ 12,724</b>	<b>\$ 23,460</b>
 <b>NET ASSETS</b>		
Unrestricted net assets	114,210	222,285
Temporarily restricted net assets	87,922	20,000
Total net assets	<b>202,132</b>	<b>242,285</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 214,856</b>	<b>\$ 265,745</b>

See independent accountants' review report and accompanying notes.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended December 31, 2017 and 2016**

	December 31, 2017		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 92,663	\$ 87,922	\$ 180,585
In-kind contributions	48,044	-	48,044
Interest and other income	30,003	-	30,003
Program revenue	215,998	-	215,998
<b>GROSS SUPPORT AND REVENUE</b>	<b>386,708</b>	<b>87,922</b>	<b>474,630</b>
Less: sales discounts	(68,279)	-	(68,279)
<b>TOTAL SUPPORT AND REVENUE, NET OF DISCOUNTS</b>	<b>318,429</b>	<b>87,922</b>	<b>406,351</b>
<b>EXPENSES</b>			
<b>PROGRAM EXPENSES</b>			
Community	84,863	-	84,863
Colleges and universities	10,730	-	10,730
Correctional facilities	25,210	-	25,210
Executive development	51,478	-	51,478
Schools (K-12)	92,543	20,000	112,543
New business development	13,224	-	13,224
Workshops	35,417	-	35,417
<b>TOTAL PROGRAM EXPENSES</b>	<b>313,465</b>	<b>20,000</b>	<b>333,465</b>
Management and general	70,271	-	70,271
Fundraising	42,768	-	42,768
<b>TOTAL EXPENSES</b>	<b>426,504</b>	<b>20,000</b>	<b>446,504</b>
<b>CHANGE IN NET ASSETS</b>	<b>(108,075)</b>	<b>67,922</b>	<b>(40,153)</b>
NET ASSETS, beginning of year	222,285	20,000	242,285
NET ASSETS, end of year	\$ 114,210	\$ 87,922	\$ 202,132

December 31, 2016		
Unrestricted	Temporarily Restricted	Total
\$ 265,420	\$ 20,000	\$ 285,420
21,110	-	21,110
-	-	-
208,086	-	208,086
494,616	20,000	514,616
(32,781)	-	(32,781)
461,835	20,000	481,835
7,422	-	7,422
1,940	-	1,940
34,636	-	34,636
26,230	-	26,230
225,991	-	225,991
21,683	-	21,683
-	-	-
317,902	-	317,902
9,852	-	9,852
77,078	-	77,078
404,832	-	404,832
57,003	20,000	77,003
165,282	-	165,282
<u>\$ 222,285</u>	<u>\$ 20,000</u>	<u>\$ 242,285</u>

See independent accountants' review report and accompanying notes.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended December 31, 2017 and 2016

	Program Expenses										Total All Funds	
	Veterans and Adults	Colleges and Universities	Correctional Facilities	Executive Development	Schools (K-12)	New Business Development	Workshops	Total	Management and General	Fundraising	12/31/2017	12/31/2016
	Salaries and wages	\$ 56,218	\$ 4,799	\$ 11,840	\$ 31,025	\$ 57,640	\$ 5,512	\$ 20,966	\$ 188,000	\$ 17,789	\$ 15,128	\$ 220,917
Benefits and payroll taxes	7,611	430	1,572	4,652	5,240	510	1,789	21,804	1,479	1,539	24,822	18,062
Printing/design	321	617	-	305	17,466	-	140	18,849	986	2,085	21,920	17,830
Shipping and handling	76	494	129	250	2,452	34	65	3,500	50	867	4,417	3,502
Meals and entertainment	730	245	184	450	700	2,204	1,344	5,857	1,829	3,157	10,843	10,950
Meals - in-kind	490	-	-	-	-	-	-	490	-	-	490	300
Hotel and transportation	408	-	374	3,340	1,633	1,087	4,841	11,683	263	842	12,788	12,418
Workshops	-	-	-	-	-	-	-	-	-	-	-	487
Accounting	865	611	943	2,095	2,373	329	228	7,444	-	1,181	8,625	12,005
Legal	-	951	-	-	41	-	-	992	-	-	992	4,678
Donated services	-	-	-	-	-	-	-	-	44,411	-	44,411	17,423
ISBN/permissions/copyrights	-	-	-	-	-	-	-	-	-	-	-	1,130
Bank charges	-	537	32	65	1,675	-	3	2,312	163	91	2,566	3,318
Casual labor	-	-	-	-	-	-	-	-	-	-	-	200
Consultants	11,107	346	4,304	158	8,082	960	218	25,175	689	14,128	39,992	64,044
Office equipment and supplies	2,533	430	820	1,818	2,992	465	1,799	10,857	169	1,046	12,072	10,338
Dues and subscriptions	-	81	354	723	911	51	10	2,130	239	1,506	3,875	3,751
Facility expense	3,209	734	2,444	2,987	5,813	8	1,818	17,013	350	546	17,909	16,982
Facility expenses - in-kind	-	-	-	1,180	-	-	1,769	2,949	194	-	3,143	3,387
Interest expense	8	17	65	138	328	54	19	629	940	73	1,642	1,512
Insurance	308	103	1,465	947	1,371	-	-	4,194	391	-	4,585	3,986
Marketing	440	-	-	115	2,249	2,010	252	5,066	-	530	5,596	3,755
Telephone and internet	539	335	684	1,230	1,577	-	156	4,521	329	49	4,899	4,477
<b>TOTAL EXPENSES</b>	<b>84,863</b>	<b>10,730</b>	<b>25,210</b>	<b>51,478</b>	<b>112,543</b>	<b>13,224</b>	<b>35,417</b>	<b>333,465</b>	<b>70,271</b>	<b>42,768</b>	<b>446,504</b>	<b>404,832</b>

See independent accountants' review report and accompanying notes.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (40,153)	\$ 77,003
Adjustments to reconcile total change in net assets to net cash (used in) provided by operating activities:		
Accounts receivable	(19,232)	(489)
Unconditional promises to give	76,268	(69,136)
Inventory	995	222
Accounts payable	(4,624)	(10,112)
Accrued expenses	(6,112)	3,721
Net cash provided by operating activities	<b>7,142</b>	1,209
Net increase in cash	7,142	1,209
Cash and cash equivalents, beginning of year	<b>28,558</b>	27,349
Cash and cash equivalents, end of year	<b>\$ 35,700</b>	\$ 28,558
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<b>\$ 1,644</b>	\$ 1,512

See independent accountants' review report and accompanying notes.



**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**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 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 of America and around the world. Touchstones Discussion Project, Inc. has trained thousands of teachers in its discussion method and globally more than five million students of all ages have participated in its programs. Touchstones method is used throughout the United States and in Argentina, Austria, Australia, Belgium, Brazil, Canada, Chile, China, the Czech Republic, the Dominican Republic, Egypt, Georgia, Germany, Ghana, Haiti, India, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Lebanon, Macedonia, Malta, Morocco, Myanmar, New Zealand, Nigeria, Oman, Palestine, Puerto Rico, Russia, Singapore, Slovenia, South Africa, South Korea, Spain, Sweden, Taiwan, Tanzania, Thailand, and the United Kingdom. Touchstones materials are available in Arabic, Burmese, English, French, Haitian Kreyól, and Spanish.

Touchstones is supported by program service revenue, grant income, and contributions from individuals. Touchstones enters into strategic partnerships to expand and complement existing programs and increase the amount of people they reach every year.

In 2017, the Touchstones Discussion Project trained 545 educators and volunteers in the U.S. and abroad. During the year, approximately 121,550 students engaged in Touchstones programs through new sales and donated materials. They join the many thousands of schools and hundreds of thousands of students already participating in Touchpebbles and Touchstones programs last year.

Through charitable contributions and a portion of its earned income in 2017, Touchstones gave more than \$121,000 in free and discounted materials and services to 48 public and private schools and two correctional institutes. As part of those services, Touchstones provided 51 scholarship seats (value of \$8,925), and awarded the 2017 Touchstones Teacher of the Year Award to two teachers from an independent school in Charlottesville, VA. That award included a cash prize and round-trip travel to and accommodations in Annapolis, MD, where the award was presented. Our 2017 Volunteer of the Year was similarly recognized for his steadfast advocacy for Touchstones programs with veterans and for serving as one of the Touchstones-trained veterans leading our new discussion program for veterans.

Touchstones work in public education in 2017 was generously supported through grants from the Pettus Crowe Foundation and the Chichester duPont Foundation.

Touchstones secured Trademark/Service Marks for Haiti, Myanmar, India, European Union, Jordan, and two TOUCHSTONES International classes. Also, in 2017 Touchstones secured the corporate name and domain name for [www.touchstoneseducation.org](http://www.touchstoneseducation.org).

*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.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Description of Programs*

**Adult Workforce Readiness and Community-Building Programs**

Touchstones programs with adults provide a safe and collaborative environment in which to learn crucial socio-behavioral and cognitive skills required for successful engagement with others in the community and at work. Touchstones recognizes that adults who are undereducated or coming from severe economic and social disadvantage must be afforded opportunities to learn the basic skills of communication and interaction so they are empowered to change their circumstance. Touchstones adult programs are run in English, Spanish, Burmese, and Haitian Kreyòl with participants in the U.S., Dominican Republic, Myanmar, and Haiti, respectively. More than 50,000 copies of Touchstones volumes in Kreyòl are in circulation for use in adult programs in Haiti.

**Civic Leadership and Community Engagement**

Touchstones programs for civic leaders afford participants the opportunity to reflect on their values, skills, and commitment to leadership in their communities. Through group exploration of leadership and the role of civic engagement in healthy communities, program participants examine their assumptions, opinions, and ideas. In so doing, they become more aware of barriers to authentic collaboration among their peers and between groups of populations. Participants work together to address problems, outline solutions, and leverage their passion toward more effective and inclusive engagement.

In 2017, Touchstones hosted a week-long initiative, Touchstones Week, to encourage people around the world to engage locally in collaborative discussions. Through that effort, more than 25 groups in the U.S. and Canada held Touchstones discussions on a folk-tale from Bhutan about the role of cooperation in communities. Those discussions were held in English, French, and Spanish and included a Touchstones-hosted free discussion event in Annapolis for about 45 participants at the Wiley H. Bates Legacy Center. At that event, Touchstones staff ran two concurrent discussion groups including citizens throughout Anne Arundel County.

**Colleges and Universities**

Post-secondary students learn to examine, formulate, and articulate their ideas through reading, speaking, and listening in Touchstones' collaborative seminars. They tackle challenging issues and academic concepts and learn to work independently and in teams. College students in Touchstones programs overcome the passivity that generally characterizes pre-college learning. They learn to evaluate and refine their own work and skills and take initiative in developing themselves as reflective and life-long learners and leaders in their communities. Touchstones curricula strengthen a range of essential skills that students in post-secondary programs must possess for success in rigorous academic environments and the workplace. Touchstones programming is used in U.S. college bridge programs, ELL and ESL courses, First-Year Experience courses, freshman orientation programs, teacher education courses, and honors leadership seminars.

Touchstones programs are also part of educator-training at the graduate level, including the Middle Tennessee State University's School of Education Assessment, Learning, and School Improvement Ed.D. and their Master's Teachers programs.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Description of Programs (continued)*

**Correctional Facilities**

Through Touchstones programs in correctional institutions, juvenile and adult detention centers, and jails, incarcerated men and women participants reflect on their values and choices and take greater responsibility for their actions. Touchstones is actively used to strengthen socio-behavioral skills in a number of correctional centers in Maryland, Virginia, and California. Programming initiated in the Maryland Correctional Institute for Women (MCI-W) continued throughout 2017 and engaged more than 60 women. Of the more than 45 women participants who have been released from MCI-W, we know of none who have recidivated.

At the Maryland Correctional Institute at Jessup (MCI-J), Touchstones engaged more than 50 men in a weekly discussion program open to the general population throughout 2017. Touchstones programs have been run at MCI-J since the late 1990s. Last year, Touchstones donated more than \$25,200 in educational materials and services to Maryland prisons.

Touchstones discussions afford prisoners the opportunity to experience efficacy in their own thinking and empower them through self-respect and respect for others. In Touchstones, participants learn essential socio-behavioral, cognitive, and meta-cognitive skills, which they employ to improve their lives in prison and to achieve and sustain productive lives after release. Each year, Touchstones donates hundreds of staff hours to run programs with the incarcerated and their families in Maryland prisons, the majority of whom are from minority households living below poverty level.

**Executive Development**

Executives and managers in government agencies, not-for-profit organizations, businesses of all sizes, and private groups gain a better sense of teamwork through custom Touchstones programs and collaborative discussions. Executives systematically improve their abilities to access, assess, and utilize diverse perspectives and collective knowledge in problem-solving. At the same time, the Touchstones format helps them to grow their leadership capacity, build cohesive teams, and improve their organizational management. In 2017, Touchstones launched a new custom seminar for executives. This program examines three revolutions and explores the ways in which those periods offer us a different lens through which to understand our current socio-political environments. That ten-session program ran in New York City and Washington, DC; plans for a third group in Annapolis, MD are in place for 2018.

In 2017, Touchstones developed a new website for our executive programs: [www.touchstonesexec.org](http://www.touchstonesexec.org) to appropriately feature and promote our work in the corporate sector.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Description of Programs (continued)*

**K-12 Schools, After School, Workforce Development and Teacher Professional Development**

Teachers who use Touchstones programs to develop their classroom management skills, guide and empower students through direct engagement, differentiate instruction based on individual students' strengths and challenges, and become leaders among educators. To foster optimal implementations and outcomes, Touchstones provides professional development training that teaches educators the Touchstones discussion method through direct experience. Touchstones' interactive workshops at three levels (Introductory, Intermediate, and Advanced) help teachers to learn strategies for discussion leadership, to examine and devise solutions to issues in discussion dynamics, to practice associated discussion activities central to the Touchstones method, to tailor lessons to their students' needs, to measure student progress over time, and to continue their own development as discussion leaders and classroom managers. In-class coaching provides additional and tailored guidance to support continued development in instructional and leadership capacities.

Students in Touchstones programming is grades 1 through 12 engage in Touchstones discussions one hour per week. They develop the skills essential for success in the emerging global and dynamic 21st century world by learning systematically to question, listen, and cooperate through respectful discussion. In Touchstones, they share exploration of texts and issues central to civil society and examine their roles as citizens. They evaluate their own work, self-correct unproductive behaviors, and set goals collectively for improved discussion outcomes. These essential skills transfer to many dimensions of academic settings and extend outside of school. Academically rigorous yet accessible to all, Touchstones' school programs, after-school programs, and workforce development programs help students of all academic abilities and backgrounds become active collaborators in their learning. Touchstones materials are used in programs for advanced learners, ESL and ELL students, International Baccalaureate, Advanced Placement, AVID elective and critical reading, students with special needs, and in inclusive classrooms. Touchstones school programs are in more than 44 countries and have been translated in Arabic, Burmese, French, Haitian Kreyòl, and Spanish. More than five million students of all ages have used Touchstones programs since the organization was founded in 1984.

Touchstones staff ran teacher training workshops at 19 school sites in 2017, and 45 new schools and districts implemented Touchstones programs. Another 40 schools and districts expanded their existing programs in 2017. To complete our Touchpebbles elementary grade curricula, Touchstones released a new curricular volume: Touchpebbles Volume C. This textbook will be used primarily in grade 5, but is appropriate for other grades and student populations.

**Seniors Groups**

Touchstones discussions provide a welcoming and friendly environment in which senior citizens stay intellectually and socially active. As a Touchstones group, seniors explore new ideas and perspectives as presented by their peers. They develop community and friendships within the program and stay connected to the world. Drawing from their own experiences, seniors participate in lively and enriching discussions that continue well after the sessions end, providing access to continued, meaningful, and authentic engagement with others. In 2017, Touchstones supported the existing volunteer-led group in Annapolis and the development of a new group run by a Touchstones-trained volunteer in St. John, New Brunswick, Canada. All program materials were donated by Touchstones to those groups.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Description of Programs (continued)*

**Veterans Programs**

In 2017, Touchstones was awarded a grant from the National Endowment for the Humanities for the development of a discussion program for veterans. The Touchstones program, titled, Completing the Odyssey: A Journey Home, pair text selections from Homer's The Odyssey thematically with contemporary works written by veterans. As part of the program design, Touchstones trained a group of veterans to co-lead the first pilot program with Touchstones staff. This is preparation for the second pilot, slated for spring 2018, in which the veterans will assume greater responsibility as discussion leaders.

The training period and initial pilot included 35 veterans, including a Maryland State Senator, and a robust communications plan to share information about the program with the Maryland Secretary of Veterans' Affairs, and the Maryland Veterans Caucus, which includes members of the state Senate and the House. Press releases about the veterans program were sent out to 40 news outlets and newsletter updates about the program were sent to 3000 recipients. As part of the program, five personal history projects were initiated and completed. Those projects were entered into the Library of Congress Veterans History Project as part of the permanent collection.

Like all Touchstones programs, this one was designed for replication and is being refined through the pilot period for that purpose. Members of the social services staff at the Orlando VA have expressed interest in the program, and we are exploring service agencies in Maryland where the program may be embedded.

*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.

*Contributions*

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence of any donor restrictions.

*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. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. 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.

*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).

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Accounts Receivable***

Touchstones's 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.

***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 unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***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 \$44,411 and \$17,423 of donated services for the years ended December 31, 2017 and 2016, respectively. In addition, Touchstones received services for various matters which are unable to be valued.

Touchstones also received the use of donated facilities which were valued at \$3,042 and \$3,387 for the years ended December 31, 2017 and 2016, respectively. Touchstones also received donated meals valued at \$490 and \$300 for the years ended December 31, 2017 and 2016, respectively.

***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.

***Date of Management's Review***

Touchstones has evaluated events and transactions that occurred during the period from the date of the financial statements through June 6, 2018, 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.

**COMPENSATED ABSENCES**

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

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**RESTRICTION ON NET ASSETS**

Temporarily restricted net assets at December 31, 2017, are available for the Veterans programs during the year ending December 31, 2018.

**FUNCTIONAL ALLOCATION OF EXPENSES**

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

**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 in one year increments and expires in March 2019. The agreement required monthly payments of \$1,409 and \$1,444 through March 31, 2018 and 2019, respectively.

Rent expense totaled \$16,711 and \$16,320 for the years ended December 31, 2017 and 2016, respectively, inclusive of property taxes and maintenance charges.

**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 contributions to this plan of \$1,350 and \$0 for the years ended December 31, 2017 and 2016, respectively.

**UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

	<b>2017</b>	<b>2016</b>
Unconditional Promises	<b>\$ 124,988</b>	<b>\$ 201,256</b>
Amounts Due In:		
Less than One Year	<b>\$ 114,988</b>	\$ 100,401
One to Five Years	<b>10,000</b>	100,855
More than Five Years	<b>-</b>	-
Total	<b>\$ 124,988</b>	<b>\$ 201,256</b>

**INCOME TAXES**

Touchstones is a not-for-profit organization that is exempt from income taxes under Section 170(1)(A) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The 2014 through 2016 tax years remain subject to examination by the IRS. Touchstones does not believe that any reasonable possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**INVENTORY**

Inventory is comprised of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Finished Goods (Books and Publications)	\$ <u><b>1,619</b></u>	\$ <u>2,614</u>

**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. There was no principal outstanding balance as of December 31, 2017 and 2016.