

**TOUCHSTONES DISCUSSION PROJECT, INC.**

**FINANCIAL REPORT**

**December 31, 2018 and 2017**

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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, 2018 and 2017, 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.

***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.

*JBS & Company, LLC*

Stevensville, MD  
June 28, 2019

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2018 and 2017**

	<b>2018</b>	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 23,629	\$ 35,700
Accounts receivable	42,229	52,549
Unconditional promises to give	87,610	114,988
Inventory	2,163	1,619
Total current assets	<b>155,631</b>	204,856
 Unconditional promises to give - long term	<b>320,393</b>	10,000
<b>TOTAL ASSETS</b>	<b>\$ 476,024</b>	\$ 214,856
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 20,110	\$ 8,361
Accrued expenses	1,407	4,363
Line of credit	10,000	-
Total current liabilities	<b>\$ 31,517</b>	\$ 12,724
<b>NET ASSETS</b>		
Without donor restrictions	444,507	114,210
With donor restrictions	-	87,922
Total net assets	<b>444,507</b>	202,132
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 476,024</b>	\$ 214,856

See independent accountants' review report and accompanying notes.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the years ended December 31, 2018 and 2017

	December 31, 2018			December 31, 2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 441,566	\$ -	\$ 441,566	\$ 92,663	\$ 87,922	\$ 180,585
In-kind contributions	33,432	-	33,432	48,044	-	48,044
Interest and other income	2,168	-	2,168	30,003	-	30,003
Program revenue	253,576	-	253,576	215,998	-	215,998
Net assets released from restrictions	87,922	(87,922)	-	20,000	(20,000)	-
<b>GROSS SUPPORT AND REVENUE</b>	<b>818,664</b>	<b>(87,922)</b>	<b>730,742</b>	<b>386,708</b>	<b>67,922</b>	<b>474,630</b>
Less: sales discounts	(51,374)	-	(51,374)	(68,279)	-	(68,279)
<b>TOTAL SUPPORT AND REVENUE, NET OF DISCOUNTS</b>	<b>767,290</b>	<b>(87,922)</b>	<b>679,368</b>	<b>318,429</b>	<b>67,922</b>	<b>406,351</b>
<b>EXPENSES</b>						
<b>PROGRAM EXPENSES</b>						
Community	46,513	-	46,513	84,863	-	84,863
Colleges and universities	342	-	342	10,730	-	10,730
Correctional facilities	12,491	-	12,491	25,210	-	25,210
Executive development	53,657	-	53,657	51,478	-	51,478
Schools (K-12)	140,667	-	140,667	92,543	-	112,543
New business development	35,564	-	35,564	13,224	-	13,224
Workshops	55,754	-	55,754	35,417	-	35,417
<b>TOTAL PROGRAM EXPENSES</b>	<b>344,988</b>	<b>-</b>	<b>344,988</b>	<b>313,465</b>	<b>-</b>	<b>333,465</b>
MANAGEMENT AND GENERAL FUNDRAISING	8,057	-	8,057	70,271	-	70,271
	83,948	-	83,948	42,768	-	42,768
<b>TOTAL EXPENSES</b>	<b>436,993</b>	<b>-</b>	<b>436,993</b>	<b>426,504</b>	<b>-</b>	<b>446,504</b>
<b>CHANGE IN NET ASSETS</b>	<b>330,297</b>	<b>(87,922)</b>	<b>242,375</b>	<b>(108,075)</b>	<b>67,922</b>	<b>(40,153)</b>
NET ASSETS, beginning of year	114,210	87,922	202,132	222,285	20,000	242,285
<b>NET ASSETS, end of year</b>	<b>\$ 444,507</b>	<b>\$ -</b>	<b>\$ 444,507</b>	<b>\$ 114,210</b>	<b>\$ 87,922</b>	<b>\$ 202,132</b>

See independent accountants' review report and accompanying notes.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the years ended December 31, 2018 and 2017**

	Program Expenses									Management and General	Fundraising	Total All Funds 12/31/2018
	Veterans and Adults	Colleges and Universities	Correctional Facilities	Executive Development	Schools (K-12)	New Business Development	Workshops	Total	Total			
Salaries and wages	\$ 31,482	\$ 311	\$ 6,413	\$ 27,754	\$ 58,630	\$ 23,584	\$ 21,793	\$ 169,967	\$ 3,372	\$ 39,818	\$ 213,157	
Benefits and payroll taxes	3,626	23	965	6,479	7,933	2,550	2,289	23,865	1,799	3,137	28,801	
Printing/design	283	-	31	130	22,522	33	52	23,051	-	1,641	24,692	
Shipping and handling	225	8	42	395	2,822	97	293	3,882	-	668	4,550	
Meals and entertainment	735	-	50	937	476	143	2,406	4,747	294	9,465	14,506	
Hotel and transportation	181	-	232	2,863	570	2,196	6,055	12,097	18	2,116	14,231	
Workshops	-	-	-	-	3,214	-	-	3,214	-	-	3,214	
Accounting	1,870	-	900	1,928	5,147	785	2,042	12,672	-	2,233	14,905	
Legal	625	-	-	-	4,156	-	-	4,781	-	-	4,781	
Donated services	-	-	-	-	14,804	-	-	14,804	-	-	14,804	
ISBN/permissions/copyrights	170	-	-	60	110	433	-	773	7	-	780	
Bank charges	23	-	36	462	553	11	19	1,104	-	1,770	2,874	
Consultants	3,405	-	843	1,441	2,328	3,143	2,531	13,691	2,579	18,704	34,974	
Office equipment and supplies	853	-	241	1,464	2,409	450	1,102	6,519	150	1,030	7,701	
Dues and subscriptions	80	-	349	924	1,544	305	108	3,310	-	1,654	4,964	
Facility expense	1,763	-	1,266	3,862	9,139	954	422	17,406	-	1,408	18,814	
Facility expenses - in-kind	-	-	-	2,747	-	-	15,882	18,629	-	-	18,629	
Interest expense	134	-	118	617	755	83	90	1,797	-	97	1,894	
Insurance	800	-	779	786	1,456	325	503	4,649	(162)	-	4,487	
Marketing	-	-	-	-	-	-	-	-	-	-	-	
Telephone and internet	258	-	226	808	2,099	472	167	4,030	-	207	4,237	
<b>TOTAL EXPENSES</b>	<b>46,513</b>	<b>342</b>	<b>12,491</b>	<b>53,657</b>	<b>140,667</b>	<b>35,564</b>	<b>55,754</b>	<b>344,988</b>	<b>8,057</b>	<b>83,948</b>	<b>436,995</b>	

Program Expenses

	Veterans and Adults	Colleges and Universities	Correctional Facilities	Executive Development	Schools (K-12)	New Business Development	Workshops	Total	Management and General	Fundraising	Total All Funds 12/31/2017
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
Printing/design	321	617	-	305	17,466	-	140	18,849	986	2,085	21,920
Shipping and handling	76	494	129	250	2,452	34	65	3,500	50	867	4,417
Meals and entertainment	730	245	184	450	700	2,204	1,344	5,857	1,829	3,157	10,843
Meals - in-kind	490	-	-	-	-	-	-	490	-	-	490
Hotel and transportation	408	-	374	3,340	1,633	1,087	4,841	11,683	263	842	12,788
Workshops	-	-	-	-	-	-	-	-	-	-	-
Accounting	865	611	943	2,095	2,373	329	228	7,444	-	1,181	8,625
Legal	-	951	-	-	41	-	-	992	-	-	992
Donated services	-	-	-	-	-	-	-	-	44,411	-	44,411
ISBN/permissions/copyrights	-	-	-	-	-	-	-	-	-	-	-
Bank charges	-	537	32	65	1,675	-	3	2,312	163	91	2,566
Consultants	11,107	346	4,304	158	8,082	960	218	25,175	689	14,128	39,992
Office equipment and supplies	2,533	430	820	1,818	2,992	465	1,799	10,857	169	1,046	12,072
Dues and subscriptions	-	81	354	723	911	51	10	2,130	239	1,506	3,875
Facility expense	3,209	734	2,444	2,987	5,813	8	1,818	17,013	350	546	17,909
Facility expenses - in-kind	-	-	-	1,180	-	-	1,769	2,949	194	-	3,143
Interest expense	8	17	65	138	328	54	19	629	940	73	1,642
Insurance	308	103	1,465	947	1,371	-	-	4,194	391	-	4,585
Marketing	440	-	-	115	2,249	2,010	252	5,066	-	530	5,596
Telephone and internet	539	335	684	1,230	1,577	-	156	4,521	329	49	4,899
<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>

See independent accountants' review report and accompanying notes.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	<b>\$ 242,375</b>	<b>\$ (40,153)</b>
Adjustments to reconcile total change in net assets to net cash (used in) provided by operating activities:		
Accounts receivable	<b>10,320</b>	(19,232)
Unconditional promises to give	<b>(283,015)</b>	76,268
Inventory	<b>(544)</b>	995
Accounts payable	<b>11,749</b>	(4,624)
Accrued expenses	<b>(2,956)</b>	(6,112)
Net cash (used in) provided by operating activities	<b>(22,071)</b>	7,142
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from line of credit	<b>10,000</b>	-
Net (decrease) increase in cash	<b>(12,071)</b>	7,142
Cash and cash equivalents, beginning of year	<b>35,700</b>	28,558
Cash and cash equivalents, end of year	<b>\$ 23,629</b>	<b>\$ 35,700</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<b>\$ 1,904</b>	<b>\$ 1,644</b>

See independent accountants' review report and accompanying notes.



**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

**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.

Touchstones has trained many 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 in at least 47 countries, including the United States, Argentina, Austria, Australia, Belgium, Brazil, Canada, Chile, China, the Czech Republic, the Dominican Republic, Egypt, Georgia, Germany, Ghana, Guadeloupe, Haiti, Hong Kong, India, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Lebanon, Macedonia, Malta, Morocco, Mozambique, 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 Kreyòl, and Spanish.

Touchstones earns income through the sales of goods and services and receives charitable contributions and grants from individuals, national endowments, foundations, and philanthropic funds. Touchstones enters into strategic partnerships that expand and complement our existing programs to increase the number of people reached every year. Touchstones work in education in 2018 was generously supported with grants from the National Endowment for the Humanities and the Jim and Patty Rouse Foundation, both for programs with veterans. The Touchstones Board of Directors launched a three-year, \$5 million capital campaign in 2018 to build organizational capacity, expand program reach, and support long-term sustainability.

Through charitable contributions and a portion of its earned income in 2018, Touchstones gave more than \$88,574 in free and discounted materials and services to public and private schools and one correctional institute. As part of those services, Touchstones provided 37 scholarship seats (value of \$6,475), and awarded the 2018 Touchstones Teacher of the Year Award to Rick Vanosdall, Ed. D Associate Dean, College of Education at Middle Tennessee State University. Rick uses several Touchstones volumes in his teaching of Master's level teachers and rising administrators as well as Ph.D. and Ed. D candidates in the School of Education. Rick's work, including his initiatives using Touchstones have been featured in educational conferences and presentations at the American Education Research Association and the Association for Supervision and Curriculum Development. Our 2018 Volunteer of the Year was Howard Zeiderman, co-founder and president of Touchstones, honoring his visionary work in education for more than 30 years, as he stepped down from his role as Touchstones President to focus on executive leadership development as the new Touchstones Director of Leadership Programs

In 2018, the Touchstones Discussion Project trained 487 educators and volunteers in the U.S. and abroad. During the year, approximately 14,592 new participants 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.

***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, 2018 and 2017**

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

*Description of Programs*

**Adult and Community Programs**

Community

In 2018, Touchstones participated with dozens of groups around the world to celebrate the 200th anniversary of the first publishing of Mary Shelley’s novel, *Frankenstein*. Touchstones partnered with the *Frankenreads* event, funded by the National Endowment for the Humanities and the Shelley Society, which brought together numerous groups in October to explore the novel in different ways. Touchstones prepared several versions of a fully developed discussion lesson plan and an appropriately edited excerpt for elementary grade students, middle school students, and an unedited excerpt for high school and adult students to use at no cost. The lesson raised questions for reflection and discussion on topics of belonging, humanity, empathy, fear, isolation, creation, vulnerability, and goodness. Photos and reports from the Touchstones discussions around the US were received and included in our fall newsletter.

Touchstones programs with adults provide a collaborative environment in which to learn crucial socio-behavioral and cognitive skills required for successful engagement with others in the community and at work. In Touchstones programs, all adults—regardless of their background or education level—practice public speaking, cooperative learning, critical thinking, and active listening and share responsibility for discussion outcomes. Adults who are undereducated or coming from severe economic and social disadvantage are afforded opportunities to learn such essential communication and interpersonal skills, so they are empowered to change their circumstance. Our 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 materials in Kreyòl are in circulation for use in adult programs in Haiti.

In 2018 Touchstones sold materials to Liberty Place in Whitehall, MT, and Langton Green in Annapolis, MD. Liberty Place serves adults with severe brain injuries and focuses on building strengths instead on focusing on what may have been lost. Langton Green is a residential community that supports adults with intellectual disabilities.

Older Adults

Touchstones discussions provide a welcoming and friendly environment in which older participants stay intellectually and socially active. In their Touchstones groups, participants 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, members of each group participate in lively and enriching discussions that continue well after the sessions end, providing access to continued, meaningful, and authentic engagement with others. In 2018, Touchstones supported an existing volunteer-led group in Annapolis and a group run by a former Touchstones employee in St. John, New Brunswick, Canada.

In 2018, Touchstones began work on *Elderstones*, a new series designed specifically for adults with cognitive impairment. The materials in *Elderstones* will primarily engage staff and older adults at assisted living or residential facilities and memory care units.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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

*Description of Programs (continued)*

**Colleges and University Programs**

Students in post-secondary bridge programs and honors and leadership programs in community colleges, four-year colleges, and universities learn to examine, formulate, and articulate their ideas through close reading, public speaking, and active listening in their Touchstones classes. They tackle challenging issues and academic concepts while also working independently as well as collaboratively in teams. Young adult and adult students in Touchstones programs gain skills that overcome habits and behaviors acquired in passive learning environments in grades K-12. They learn to evaluate and refine their own work and take initiative in developing themselves as reflective, life-long learners and leaders in their communities.

**Programs with Incarcerated Youth and Adults**

Through Touchstones programs in correctional institutions, juvenile and adult detention centers and jails, incarcerated people reflect on their thinking, choices, and values and practice cooperative learning and complex problem-solving. In the process, they practice assuming greater responsibility for decisions and consequences and acquire skills essential for constructive and sustained freedom after release from incarceration. Participants also practice speaking publicly, listening respectfully and actively, and considering diverse viewpoints. In so doing, Touchstones discussions afford incarcerated people essential opportunities to experience and share their ideas and opinions with others in a mutually respectful environment.

Touchstones is used by program staff and volunteers in psycho-emotional and educational programs in correctional centers in Maryland, Virginia, and California. Two weekly programs initiated in the Maryland Correctional Institute for Women (MCI-W) in 2015 have continued through 2018 and are run by Touchstones staff and volunteers. Those programs engaged more than 54 women who participated in of 159 Touchstones classroom sessions. Of the women participants in Touchstones prison programs who have been released from MCI-W over the last three years, the recidivism rate is below 5%.

In 2018, the Community Action Partnership of Anne Arundel County invited Touchstones' Executive Director to participate in a panel discussion on issues related to re-entry.

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

Teachers using Touchstones programs guide and empower students through direct engagement and active learning. They use Touchstones curricular materials and training to learn to differentiate instruction based on students' strengths and challenges and encourage students to teach and learn from each other. Students in Touchstones practice accountable speaking, active listening, cooperative learning, critical thinking, and collaborative leadership in each class. As part of their work in Touchstones, students learn to attend to group dynamics and to moderate behavior and engagement to make room for and encourage diverse perspectives and greater engagement by all members of the class. Students in Touchstones explore ideas 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.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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

*Description of Programs (continued)*

**K-12 School Programming, Enrichment and After School Programs, Youth Workforce Development, Educational Conferences, and Teacher Professional Development (continued)**

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 47 countries and have been translated from English to 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.

To foster optimal implementations and outcomes, Touchstones provides educators using Touchstones with professional development training that teaches the Touchstones discussion method through direct experience. Our interactive workshops (Introductory, Intermediate, and Advanced), help teachers learn strategies for discussion leadership, to identify and devise solutions to issues in discussion dynamics with input from the students, to model active listening and respectful engagement with all students, to measure student progress over time, and to assess and refine their own development as discussion leaders and classroom managers throughout the year. In-class coaching provided by Touchstones staff provides 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 and activities outside the classroom.

Touchstones staff ran teacher training workshops at nine (9) school sites in 2018, as 61 new schools and districts implemented Touchstones curricula. Another 27 schools and districts expanded their existing programs in 2018, and addition of 40 more than in 2017. Touchstones worked more intensively with six (6) schools, by providing in-class observation, modeling, and coaching.

Touchstones staff attended several educational conferences in 2018 for different school markets (public/charter education, gifted ed., and Catholic education) and ran presentations at the Orlando Gifted and Talented Conference.

Touchstones also worked with Seeds4Success in Annapolis, MD and Thread in Baltimore, MD—providing training and materials to each organization, both of which provide children and young adults, respectively, from under-resourced communities with enrichment, mentoring, and educational support to achieve success in school and in life.

**Leadership 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 DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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

*Description of Programs (continued)*

**Leadership Development Programs (continued)**

In 2018, Touchstones ran a number of custom programs for executives. Those included topic-oriented programs such as “Revolutions,” which examines three revolutions over ten discussion meetings and explores the ways in which those periods offer different lenses through which to understand our current socio-political environments. Groups in New York City, Washington, DC, and Annapolis, MD participated in this program. In addition, the Washington, DC group started a non-fiction discussion program series on modern short fiction around topics of identity, creativity, and the role and evolution of literature in society.

In 2018, Touchstones developed a custom four-session program for 20 managers at a NYC based global pension fund with managed assets of \$13.5 billion. This program develops vital communication and leadership tools to support highly collaborative teams. Such teams are characterized as ones in which all members recognize they have legitimate and needed voices. Over the course of the program, participants refined their communication and perception skills to create a work practice and forum in which all viewpoints are welcomed, heard, and meaningfully integrated in collaborative endeavors. Touchstones was also hired to run a second professional development workshop for 40 Deans and Directors through the Center for Advancement of Food Service Education (C.A.F.E.). This workshop invited participants to examine elements of personal and institutional branding while working collaboratively with peers from other institutions in higher education and technical schools.

In 2018, Touchstones expanded the executive programs website to feature and promote our work leadership development: [www.touchstonesexec.org](http://www.touchstonesexec.org)

**Veterans Programs**

In 2017, Touchstones was awarded a grant from the National Endowment for the Humanities for the development of a new discussion program specifically for veterans and on topics related to service and homecoming. The Touchstones program, titled, *Completing the Odyssey: A Journey Home*, thematically pairs excerpts from the classical war epic, *The Odyssey*, with contemporary works written by veterans from WW II through present conflicts. In 2018, a second session of this pilot program was run, with the veteran participants assuming responsibility for discussion leadership. As part of the program, five personal history projects were initiated, completed, and submitted to the Library of Congress Veterans History Project. Touchstones staff accompanied veterans to submit personal narratives to the Veterans History Project, which is housed in the permanent collection at the Library of Congress in Washington, D.C. More than 30 veterans in 2018 participated in Touchstones leadership training and programs for veterans. Over the summer, four of the veterans trained by Touchstones then replicated *Completing the Odyssey* at a non-profit organization for homeless veterans in Baltimore, engaging upwards of more than 40 veterans in those discussions.

In Nov. 2018, Touchstones Executive Director spoke on a panel during the Library of Congress’s Veteran’s Day programming. The panel discussion, titled *The Road Home*, focused on the role of writing and reflecting on experiences in the military and in war, as service people return to civilian life.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2018 and 2017**

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

***Strategic Planning and Fundraising***

In 2018, Touchstones Board of Directors began a new three-year strategic plan, with input from staff and Advisory Council. Part of the strategic plan included launching the Touchstones Legacy Campaign to raise five-million dollars over three years to increase organizational capacity, triple annual program reach, and build sustainability. A special event was held in October at the Fleet Reserve Club in Annapolis, MD to launch the campaign and recognize the retirement of Touchstones' co-founder and then President Howard Zeiderman. The campaign committee announced it had secured more than \$650,000 in gifts and pledges, including \$25,275 raised during the event.

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

***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.

***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.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 \$14,804 and \$44,411 of donated services for the years ended December 31, 2018 and 2017, 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 \$18,629 and \$3,042 for the years ended December 31, 2018 and 2017, respectively.

***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.

*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.

***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.

***Change in Accounting Principle***

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Touchstones has implemented ASU 2016-14 and has adjusted the presentation in these comparative financial statements accordingly. The ASU has been applied retrospectively to all periods presented, and had *no* impact on net assets.

**TOUCHSTONES DISCUSSION PROJECT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 June 28, 2019, 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.

**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.

**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 \$1,975 and \$1,350 for the years ended December 31, 2018 and 2017, respectively.

**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.

**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 2021. The agreement required monthly payments of \$1,444 and \$1,409 through March 31, 2018 and 2017, respectively.

Rent expense totaled \$17,219 and \$16,711 for the years ended December 31, 2018 and 2017, respectively, inclusive of property taxes and maintenance charges.



**TOUCHSTONES DISCUSSION PROJECT, INC.**  
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**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 \$10,000 and zero as of December 31, 2018 and 2017.

**INVENTORY**

Inventory is comprised of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Finished Goods (Books and Publications)	\$ <u>2,163</u>	\$ <u>1,619</u>

**UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

	<u>2018</u>	<u>2017</u>
Unconditional Promises	\$ <u>408,003</u>	\$ <u>124,988</u>
Amounts Due In:		
Less than One Year	\$ 87,610	\$ 114,988
One to Five Years	120,393	10,000
More than Five Years	<u>200,000</u>	<u>-</u>
Total	\$ <u>408,003</u>	\$ <u>124,988</u>

**NET ASSETS WITH DONOR RESTRICTIONS**

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, 2018 are as follows:

Purpose restrictions accomplished:	
Veterans Programs	<u>\$ 87,922</u>

**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	\$ 23,629
Accounts receivable	42,229
Unconditional promises to give	<u>87,610</u>
	<u>\$ 153,468</u>

**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.