



THE
RESOLUTION[®]
PROJECT

Audited Financial Statements

December 31, 2018



IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

Independent Auditor's Report

To the Board of Directors of
The Resolution Project, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Resolution Project, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

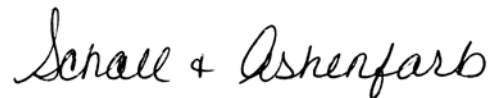
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Resolution Project, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 10, 2019

THE RESOLUTION PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018
(With comparative totals at December 31, 2017)

	<u>12/31/18</u>	<u>12/31/17</u>
Assets		
Cash and cash equivalents	\$484,701	\$841,194
Contributions receivable (Note 3)	271,000	520,000
Security deposit	58,828	58,828
Prepaid expenses	17,688	0
Fixed assets, net of accumulated depreciation (Note 4)	<u>61,294</u>	<u>40,118</u>
 Total assets	 <u><u>\$893,511</u></u>	 <u><u>\$1,460,140</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$37,243	\$23,267
Deferred rent	<u>26,375</u>	<u>24,800</u>
Total liabilities	<u><u>63,618</u></u>	<u><u>48,067</u></u>
Net assets:		
Without donor restrictions	592,319	992,073
With donor restrictions (Note 5)	<u>237,574</u>	<u>420,000</u>
Total net assets	<u><u>829,893</u></u>	<u><u>1,412,073</u></u>
 Total liabilities and net assets	 <u><u>\$893,511</u></u>	 <u><u>\$1,460,140</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

THE RESOLUTION PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/18</u>	<u>Total 12/31/17</u>
Public support and revenue:				
Contributions	\$855,077	\$61,003	\$916,080	\$1,269,361
Special event revenue (net of expenses with a direct benefit to donors) (Note 7)	319,783		319,783	372,426
Net assets released from restrictions (Note5)	243,429	(243,429)	0	0
Total public support and revenue	<u>1,418,289</u>	<u>(182,426)</u>	<u>1,235,863</u>	<u>1,641,787</u>
Expenses:				
Program services	1,272,567		1,272,567	906,416
Management and general	279,478		279,478	199,577
Fundraising	265,998		265,998	180,982
Total expenses	<u>1,818,043</u>	<u>0</u>	<u>1,818,043</u>	<u>1,286,975</u>
Change in net assets	(399,754)	(182,426)	(582,180)	354,812
Net assets - beginning of year	<u>992,073</u>	<u>420,000</u>	<u>1,412,073</u>	<u>1,057,261</u>
Net assets - end of year	<u><u>\$592,319</u></u>	<u><u>\$237,574</u></u>	<u><u>\$829,893</u></u>	<u><u>\$1,412,073</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

THE RESOLUTION PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	<u>Supporting Services</u>			Total Expenses 12/31/18	Total Expenses 12/31/17*
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$539,479	\$92,029	\$97,863	\$729,371	\$589,334
Payroll taxes and benefits	123,175	21,012	22,344	166,531	105,884
Total personnel services	662,654	113,041	120,207	895,902	695,218
Professional fees	23,326	118,028	5,617	146,971	65,771
Social venture competition	381,246			381,246	198,047
Office expense	62,785	24,079	7,202	94,066	87,055
Occupancy	118,788	20,264	21,548	160,600	138,672
Insurance	1,276	1,227	231	2,734	8,344
Special event expenses			218,168	218,168	160,432
Other expenses	5,851		8,028	13,879	12,828
Depreciation	16,641	2,839	3,019	22,499	14,808
Total expenses	<u>1,272,567</u>	<u>279,478</u>	<u>384,020</u>	<u>1,936,065</u>	<u>1,381,175</u>
Less: direct special event expenses netted with revenue			<u>(118,022)</u>	<u>(118,022)</u>	<u>(94,200)</u>
Total expenses for statement of activities	<u>\$1,272,567</u>	<u>\$279,478</u>	<u>\$265,998</u>	<u>\$1,818,043</u>	<u>\$1,286,975</u>

*Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

THE RESOLUTION PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	<u>12/31/18</u>	<u>12/31/17</u>
Cash flows from operating activities:		
Change in net assets	(\$582,180)	\$354,812
Adjustments to reconcile change in net assets to net cash flows (used for)/provided by operating activities:		
Depreciation	22,499	14,808
Changes in assets and liabilities:		
Contributions receivable	249,000	(62,399)
Security deposit	0	(48,178)
Prepaid expenses	(17,688)	0
Accounts payable and accrued expenses	13,976	3,191
Deferred rent	1,575	24,800
Total adjustments	<u>269,362</u>	<u>(67,778)</u>
Net cash flows (used for)/provided by operating activities	<u>(312,818)</u>	<u>287,034</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(43,675)</u>	<u>(31,525)</u>
Net cash flows used for investing activities	<u>(43,675)</u>	<u>(31,525)</u>
Net (decrease)/increase in cash and cash equivalents	(356,493)	255,509
Cash and cash equivalents - beginning of year	<u>841,194</u>	<u>585,685</u>
Cash and cash equivalents - end of year	<u><u>\$484,701</u></u>	<u><u>\$841,194</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

THE RESOLUTION PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1. Organization

The Resolution Project, Inc. (the “Organization”) is dedicated to fostering youth leadership development around the world through collaborative social entrepreneurship. The Organization has a proven model for identifying and inspiring young leaders through our Social Venture Challenges and Resolution Fellowships.

The Organization was incorporated in New York in 2007 and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recording public support, revenue and expenses when earned or incurred regardless of when cash is received or paid.

Effective January 1, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This 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 between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 9).

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

b. Basis of Presentation

The Organization reports information regarding its financial position and activity according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use.

- *Net Assets With Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

Contributions are recorded as revenue at the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the class of net assets with donor restrictions. All other contributions are recorded as without donor restrictions. When contributions with donor restrictions are satisfied in the same year the donation was received, they are recorded as without donor restrictions.

Conditional contributions are recognized as income when the conditions have been substantially met.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Significant Concentrations

Financial instruments that potentially subject the Organization to concentration of credit risk consist of a checking account held with a financial institution that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year end and at certain times throughout the year, the Organization had uninsured balances; however, they have not suffered any losses due to the failure of any of these institutions.

Contributions from one donor were approximately 32% of total revenue and support in 2018.

f. Contributions Receivable

Contributions that are expected to be received in less than one year are recorded at net realizable value. Those pledges that are due in greater than one year are recorded at fair value which is calculated using a risk-adjusted rate of return. Long-term pledges are treated as time restricted until the period they are due, at which time they will be released from restriction and transferred to net assets without donor restriction.

g. Allowance for Doubtful Accounts

Management reviews receivables for collectability based on various factors such as historical trends and subsequent collections. Based on this review, management has deemed that no allowance for doubtful accounts is necessary for the years ended December 31, 2018 and 2017. Write-offs are charged as expenses when all collection efforts have been exhausted.

h. Capitalization Policies

Fixed assets that exceed pre-determined amounts and that have a useful life of greater than one year are recorded at cost or at fair value on the date of the gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Routine maintenance and repair costs that do not materially extend the estimated useful life of the fixed asset and have no future benefit are expensed as incurred.

i. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

j. Management Estimates

The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but to provide for the overall support and direction of the Organization.

The following expenses were allocated using time and effort as the basis:

- Salaries

The following expenses were allocated using salary allocation as the basis:

- Payroll taxes and benefits
- Office expense
- Occupancy
- Insurance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. In-Kind Services

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

m. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

n. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2015 and later are subject to examination by applicable taxing authorities.

o. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 10, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

p. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transaction) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. This ASU does not apply to contributions.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

Note 3. Contributions Receivable

Contributions receivable are due to be collected in the following periods:

		<u>12/31/18</u>	<u>12/31/17</u>
Year ending:	December 31, 2018	\$0	\$325,000
	December 31, 2019	173,000	100,000
	December 31, 2020	100,000	100,000
	December 31, 2021	<u>0</u>	<u>0</u>
		273,000	525,000
Risk-adjusted discount (1%)		<u>(2,000)</u>	<u>(5,000)</u>
Total		<u>\$271,000</u>	<u>\$520,000</u>

Note 4. Fixed Assets

Fixed assets consist of the following:

	<u>12/31/18</u>	<u>12/31/17</u>	<u>Useful Life</u>
Website and software	\$86,200	\$53,700	5 years
Furniture and equipment	<u>47,279</u>	<u>36,104</u>	5 years
	133,479	89,804	
Less: accumulated depreciation	<u>(72,185)</u>	<u>(49,686)</u>	
Total fixed assets, net	<u>\$61,294</u>	<u>\$40,118</u>	

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	<u>December 31, 2018</u>			
	Balance		Released	Balance
	<u>12/31/17</u>	<u>Contributions</u>	from <u>Restrictions</u>	<u>12/31/18</u>
Fellowship program	\$0	\$61,003	(\$23,429)	\$37,574
Time restrictions	<u>420,000</u>	<u>0</u>	<u>(220,000)</u>	<u>200,000</u>
Total	<u>\$420,000</u>	<u>\$61,003</u>	<u>(\$243,429)</u>	<u>\$237,574</u>
	<u>December 31, 2017</u>			
	Balance		Released	Balance
	<u>12/31/16</u>	<u>Contributions</u>	from <u>Restrictions</u>	<u>12/31/17</u>
Time restrictions	<u>\$391,000</u>	<u>\$125,000</u>	<u>(\$96,000)</u>	<u>\$420,000</u>

Note 6. Commitments

The Organization has a lease agreement for office space that expires on September 30, 2022. Future minimum payments are as follows:

Year ending:	December 31, 2019	\$146,225
	December 31, 2020	149,877
	December 31, 2021	153,625
	December 31, 2022	<u>117,533</u>
Total		<u>\$567,260</u>

Rent expense totaled \$157,000 and \$136,000 for the years ended December 31, 2018 and December 31, 2017, respectively.

Note 7. Special Events

A summary of the special events proceeds is as follows:

	<u>December 31, 2018</u>		
	<u>Resolve</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$400,217	\$37,588	\$437,805
Less: expenses where the donor receives a direct benefit	<u>(103,315)</u>	<u>(14,707)</u>	<u>(118,022)</u>
	296,902	22,881	319,783
Less: other event expenses	<u>(93,386)</u>	<u>(6,760)</u>	<u>(100,146)</u>
Total	<u>\$203,516</u>	<u>\$16,121</u>	<u>\$219,637</u>

	<u>December 31, 2017</u>		
	<u>Resolve</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$390,393	\$76,233	\$466,626
Less: expenses where the donor receives a direct benefit	<u>(81,436)</u>	<u>(12,764)</u>	<u>(94,200)</u>
	308,957	63,469	372,426
Less: other event expenses	<u>(63,594)</u>	<u>(2,638)</u>	<u>(66,232)</u>
Total	<u>\$245,363</u>	<u>\$60,831</u>	<u>\$306,194</u>

Note 8. Retirement Plan

The Organization offers a 401(k) retirement plan to all of its employees. Employees are eligible after their first month of employment and may designate a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. The plan provides for discretionary employer matching contributions on an annual basis for eligible employees. The Organization did not make any matching contributions to the plan during the years ended December 31, 2018 and December 31, 2017.

Note 9. Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on grants and contributions to fund its operations and program activities.

The following reflects the Organization's financial assets at December 31, 2018 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalents	\$484,701	
Contributions receivable due within one year	<u>173,000</u>	
Total financial assets		\$657,701
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(37,574)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$620,127</u>