



THE
RESOLUTION[®]
PROJECT

Audited Financial Statements

December 31, 2019

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, 2019, 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

November 6, 2020

THE RESOLUTION PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019
(With comparative totals at December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Assets		
Cash and cash equivalents	\$496,331	\$484,701
Contributions receivable (Note 3)	295,435	271,000
Security deposit	58,828	58,828
Prepaid expenses	33,732	17,688
Fixed assets, net of accumulated depreciation (Note 4)	<u>61,356</u>	<u>61,294</u>
 Total assets	 <u><u>\$945,682</u></u>	 <u><u>\$893,511</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$35,142	\$37,243
Deferred rent	<u>24,386</u>	<u>26,375</u>
Total liabilities	<u><u>59,528</u></u>	<u><u>63,618</u></u>
Net assets:		
Without donor restrictions	100,023	592,319
With donor restrictions (Note 5)	<u>786,131</u>	<u>237,574</u>
Total net assets	<u><u>886,154</u></u>	<u><u>829,893</u></u>
 Total liabilities and net assets	 <u><u>\$945,682</u></u>	 <u><u>\$893,511</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, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/19</u>	<u>Total 12/31/18</u>
Public support and revenue:				
Contributions	\$411,184	\$899,985	\$1,311,169	\$916,080
Special event revenue (net of expenses with a direct benefit to donors) (Note 6)	637,100		637,100	319,783
Net assets released from restrictions (Note 5)	351,428	(351,428)	0	0
Total public support and revenue	<u>1,399,712</u>	<u>548,557</u>	<u>1,948,269</u>	<u>1,235,863</u>
Expenses:				
Program services	1,192,807		1,192,807	1,272,567
Supporting services:				
Management and general	392,764		392,764	279,478
Fundraising	306,437		306,437	265,998
Total expenses	<u>1,892,008</u>	<u>0</u>	<u>1,892,008</u>	<u>1,818,043</u>
Change in net assets	(492,296)	548,557	56,261	(582,180)
Net assets - beginning of year	<u>592,319</u>	<u>237,574</u>	<u>829,893</u>	<u>1,412,073</u>
Net assets - end of year	<u><u>\$100,023</u></u>	<u><u>\$786,131</u></u>	<u><u>\$886,154</u></u>	<u><u>\$829,893</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, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>Supporting Services</u>			Total Expenses 12/31/19	Total Expenses 12/31/18
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$646,082	\$167,203	\$148,068	\$961,353	\$729,371
Payroll taxes and benefits	128,434	33,239	29,434	191,107	166,531
Total personnel services	774,516	200,442	177,502	1,152,460	895,902
Professional fees	47,666	67,484	2,481	117,631	146,971
Social venture competition	153,582			153,582	381,246
Office expense	83,596	30,277	9,162	123,035	94,066
Occupancy	109,302	28,287	25,050	162,639	160,600
Insurance	4,439	2,158	1,017	7,614	2,734
Special event expenses			240,916	240,916	218,168
Other expenses	5,235	371	6,168	11,774	13,879
Bad debt expense		60,000		60,000	0
Depreciation	14,471	3,745	3,316	21,532	22,499
Total expenses	1,192,807	392,764	465,612	2,051,183	1,936,065
Less: direct special event expenses netted with revenue			(159,175)	(159,175)	(118,022)
Total expenses for statement of activities	<u>\$1,192,807</u>	<u>\$392,764</u>	<u>\$306,437</u>	<u>\$1,892,008</u>	<u>\$1,818,043</u>

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, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Cash flows from operating activities:		
Change in net assets	\$56,261	(\$582,180)
Adjustments to reconcile change in net assets to net cash flows provided by/(used for) operating activities:		
Depreciation	21,532	22,499
Changes in assets and liabilities:		
Contributions receivable	(24,435)	249,000
Security deposit	0	0
Prepaid expenses	(16,044)	(17,688)
Accounts payable and accrued expenses	(2,101)	13,976
Deferred rent	(1,989)	1,575
Total adjustments	<u>(23,037)</u>	<u>269,362</u>
Net cash flows provided by/(used for) operating activities	<u>33,224</u>	<u>(312,818)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(21,594)</u>	<u>(43,675)</u>
Net cash flows used for investing activities	<u>(21,594)</u>	<u>(43,675)</u>
Net increase/(decrease) in cash and cash equivalents	11,630	(356,493)
Cash and cash equivalents - beginning of year	<u>484,701</u>	<u>841,194</u>
Cash and cash equivalents - end of year	<u><u>\$496,331</u></u>	<u><u>\$484,701</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, 2019

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, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, the Organization adopted (“ASU”) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Organization evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Organization applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Organization recognizes revenue.

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* – represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* – represents 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 may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are 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 30% of total revenue and support in 2019 and 32% 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 restrictions.

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, 2019 and 2018. 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.

Salaries were allocated using time and effort as the basis. The following expenses were allocated using the 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, 2018, 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, 2016 and later are subject to examination by applicable taxing authorities.

o. New Accounting Pronouncement

FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 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.

FASB issued ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

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>12/31/19</u>	<u>12/31/18</u>
Year ending:	December 31, 2019	\$0	\$173,000
	December 31, 2020	<u>295,435</u>	<u>100,000</u>
		295,435	273,000
Risk-adjusted discount (1%)		<u>0</u>	<u>(2,000)</u>
Total		<u>\$295,435</u>	<u>\$271,000</u>

Note 4. Fixed Assets

Fixed assets consist of the following:

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Useful Life</u>
Website and software	\$93,938	\$86,200	5 years
Furniture and equipment	<u>61,135</u>	<u>47,279</u>	5 years
	155,073	133,479	
Less: accumulated depreciation	<u>(93,717)</u>	<u>(72,185)</u>	
Total fixed assets, net	<u>\$61,356</u>	<u>\$61,294</u>	

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	<u>December 31, 2019</u>			
	Balance		Released	Balance
	<u>1/1/19</u>	<u>Contributions</u>	from <u>Restrictions</u>	<u>12/31/19</u>
Program restrictions:				
Fellowship program	\$37,574	\$62,000	(\$19,417)	\$80,157
SVC program	<u>0</u>	<u>504,985</u>	<u>(232,011)</u>	<u>272,974</u>
Subtotal program restrictions	37,574	566,985	(251,428)	353,131
Time restrictions	<u>200,000</u>	<u>333,000</u>	<u>(100,000)</u>	<u>433,000</u>
Total	<u>\$237,574</u>	<u>\$899,985</u>	<u>(\$351,428)</u>	<u>\$786,131</u>
	<u>December 31, 2018</u>			
	Balance		Released	Balance
	<u>1/1/18</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>

Note 6. Special Events

A summary of the special events proceeds is as follows:

	December 31, 2019		
	<u>Resolve</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$620,513	\$175,762	\$796,275
Less: expenses where the donor receives a direct benefit	<u>(155,151)</u>	<u>(4,024)</u>	<u>(159,175)</u>
	465,362	171,738	637,100
Less: other event expenses	<u>(74,915)</u>	<u>(6,826)</u>	<u>(81,741)</u>
Total	<u>\$390,447</u>	<u>\$164,912</u>	<u>\$555,359</u>

	December 31, 2018		
	<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>

Note 7. 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, 2020	\$149,877
	December 31, 2021	153,625
	December 31, 2022	<u>117,533</u>
Total		<u>\$421,035</u>

Rent expense totaled \$158,000 and \$157,000 for the years ended December 31, 2019 and December 31, 2018, respectively.

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, 2019 and December 31, 2018.

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, 2019 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalents	\$496,331	
Contributions receivable due within one year	<u>295,435</u>	
Total financial assets		\$791,766
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(353,131)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$438,635</u>

Note 10. Subsequent Events

Management has evaluated the impact of all subsequent events through November 6, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Organization's donors, program participants, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for the Organization's services and harm the Organization's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on the Organization's business cannot be quantified.

Subsequent to year-end, the Organization obtained a loan from the SBA in the amount of \$250,000 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to the receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

No additional 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.