



THE  
**RESOLUTION**<sup>®</sup>  
PROJECT

**Audited Financial Statements**

**December 31, 2020**

## **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, 2020, 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.

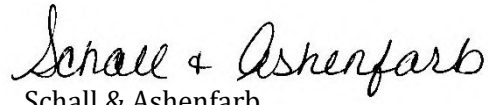
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

August 10, 2021

**THE RESOLUTION PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2020**  
(With comparative totals at December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
<b>Assets</b>		
Cash and cash equivalents	\$164,009	\$496,331
Contributions receivable	687,208	295,435
Prepaid expenses	17,318	33,732
Security deposit	47,071	58,828
Fixed assets, net of accumulated depreciation (Note 3)	<u>43,893</u>	<u>61,356</u>
 Total assets	 <u><u>\$959,499</u></u>	 <u><u>\$945,682</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$30,763	\$35,142
Deferred rent	<u>18,745</u>	<u>24,386</u>
Total liabilities	<u><u>49,508</u></u>	<u><u>59,528</u></u>
Net assets:		
Without donor restrictions	(123,074)	100,023
With donor restrictions (Note 4)	<u>1,033,065</u>	<u>786,131</u>
Total net assets	<u><u>909,991</u></u>	<u><u>886,154</u></u>
 Total liabilities and net assets	 <u><u>\$959,499</u></u>	 <u><u>\$945,682</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, 2020**  
(With comparative totals for the year ended December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/20</u>	<u>Total 12/31/19</u>
Public support and revenue:				
Contributions	\$147,764	\$966,880	\$1,114,644	\$1,311,169
Special event revenue (net of expenses with a direct benefit to donors) (Note 5)	514,331		514,331	637,100
Forgiveness of Paycheck Protection Program Loan (Note 6)	250,000		250,000	0
Net assets released from restrictions (Note 4)	<u>719,946</u>	<u>(719,946)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>1,632,041</u>	<u>246,934</u>	<u>1,878,975</u>	<u>1,948,269</u>
Expenses:				
Program services	1,212,338		1,212,338	1,192,807
Supporting services:				
Management and general	272,373		272,373	392,764
Fundraising	<u>370,427</u>		<u>370,427</u>	<u>306,437</u>
Total expenses	<u>1,855,138</u>	<u>0</u>	<u>1,855,138</u>	<u>1,892,008</u>
Change in net assets	(223,097)	246,934	23,837	56,261
Net assets - beginning of year	<u>100,023</u>	<u>786,131</u>	<u>886,154</u>	<u>829,893</u>
Net assets - end of year	<u><u>(\$123,074)</u></u>	<u><u>\$1,033,065</u></u>	<u><u>\$909,991</u></u>	<u><u>\$886,154</u></u>

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**THE RESOLUTION PROJECT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With comparative totals for the year ended December 31, 2019)

	<u>Supporting Services</u>			<u>Total Expenses 12/31/20</u>	<u>Total Expenses 12/31/19</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$717,721	\$165,171	\$204,887	\$1,087,779	\$961,353
Payroll taxes and benefits	127,377	29,313	36,363	193,053	191,107
Total personnel services	845,098	194,484	241,250	1,280,832	1,152,460
Professional fees	23,175	23,406	70,444	117,025	117,631
Social venture competition	172,949			172,949	153,582
Office expense	42,777	24,067	8,115	74,959	123,035
Occupancy	108,867	25,055	31,078	165,000	162,639
Insurance	4,132	2,189	1,179	7,500	7,614
Special event expenses			11,786	11,786	240,916
Other expenses	1,772	49	2,702	4,523	11,774
Bad debt expense				0	60,000
Depreciation	13,568	3,123	3,873	20,564	21,532
Total expenses	1,212,338	272,373	370,427	1,855,138	2,051,183
Less: direct special event expenses netted with revenue				0	(159,175)
Total expenses for statement of activities	<u>\$1,212,338</u>	<u>\$272,373</u>	<u>\$370,427</u>	<u>\$1,855,138</u>	<u>\$1,892,008</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, 2020**  
(With comparative totals for the year ended December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
Cash flows from operating activities:		
Change in net assets	\$23,837	\$56,261
Adjustments to reconcile change in net assets to net cash flows (used for)/provided by operating activities:		
Depreciation	20,564	21,532
Changes in assets and liabilities:		
Contributions receivable	(391,773)	(24,435)
Prepaid expenses	16,414	(16,044)
Security deposit	11,757	0
Accounts payable and accrued expenses	(4,379)	(2,101)
Deferred rent	<u>(5,641)</u>	<u>(1,989)</u>
Total adjustments	<u>(353,058)</u>	<u>(23,037)</u>
Net cash flows (used for)/provided by operating activities	<u>(329,221)</u>	<u>33,224</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(3,101)</u>	<u>(21,594)</u>
Net cash flows used for investing activities	<u>(3,101)</u>	<u>(21,594)</u>
Net (decrease)/increase in cash and cash equivalents	(332,322)	11,630
Cash and cash equivalents - beginning of year	<u>496,331</u>	<u>484,701</u>
Cash and cash equivalents - end of year	<u><u>\$164,009</u></u>	<u><u>\$496,331</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, 2020**

**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.

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

The Organization follows the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) 2018-08 (“Topic 605”) for recording contributions. Contributions are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described 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 are received, they are classified as without donor restrictions.



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 expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

All receivables are due within one year. Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectible accounts was deemed necessary.

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 bank failure.

During the year ended December 31, 2020, contributions from two donors were approximately 43% of total public support and revenue. During the year ended December 31, 2019, contributions from one donor was approximately 30% of total public support and revenue.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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 services that assist the Organization. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

k. Summarized 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, 2019, from which the summarized information was derived.

l. 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, 2017 and later are subject to examination by applicable taxing authorities.

m. **New Accounting Pronouncements**

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.

In addition, FASB issued 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.

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

**Note 3. Fixed Assets**

Fixed assets consist of the following:

	<u>12/31/20</u>	<u>12/31/19</u>	<u>Useful Life</u>
Website and software	\$95,818	\$93,938	5 years
Furniture and equipment	<u>62,356</u>	<u>61,135</u>	5 years
	158,174	155,073	
Less: accumulated depreciation	<u>(114,281)</u>	<u>(93,717)</u>	
Total fixed assets, net	<u>\$43,893</u>	<u>\$61,356</u>	

**Note 4. Net Assets With Donor Restrictions**

Net assets with donor restrictions can be summarized as follows:

	<u>December 31, 2020</u>			
	<u>Balance</u> <u>1/1/20</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/20</u>
Program restrictions:				
Fellowship Program	\$80,157	\$0	(\$41,238)	\$38,919
SVC Program	<u>272,974</u>	<u>633,880</u>	<u>(345,708)</u>	<u>561,146</u>
Total program restrictions	353,131	633,880	(386,946)	600,065
Time restrictions	<u>433,000</u>	<u>333,000</u>	<u>(333,000)</u>	<u>433,000</u>
Total	<u>\$786,131</u>	<u>\$966,880</u>	<u>(\$719,946)</u>	<u>\$1,033,065</u>
	<u>December 31, 2019</u>			
	<u>Balance</u> <u>1/1/19</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</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>
Total 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>

**Note 5. Special Events**

The Organization holds an annual event, Resolve, along with various other special events during the year. In 2020, the events were held remotely due to the coronavirus pandemic.

A summary of the special events proceeds is as follows:

	<u>December 31, 2020</u>		
	<u>Resolve</u>	<u>Other</u>	<u>Total</u>
Gross revenue	\$145,480	\$368,851	\$514,331
Less: expenses where the donor receives a direct benefit	<u>0</u>	<u>0</u>	<u>0</u>
	145,480	368,851	514,331
Less: other event expenses	<u>(11,482)</u>	<u>(304)</u>	<u>(11,786)</u>
Total	<u>\$133,998</u>	<u>\$368,547</u>	<u>\$502,545</u>

	<u>December 31, 2019</u>		
	<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>

**Note 6. Paycheck Protection Program Loan**

During the year ended December 31, 2020, the Organization obtained a loan from the SBA through the Paycheck Protection Program (“PPP”). Terms of the loan indicate that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven.

The Organization accounts for the PPP loan in accordance with Topic 605. The Organization met all of the conditions during the year, and this was recognized as revenue in 2020.

Subsequent to year-end, the Organization obtained a second loan from the SBA through the Paycheck Protection Program in the amount of \$225,000. The terms of the loan remain the same as under the first draw described above. Portions not forgiven will be payable over a five-year period and interest will accrue at a rate of .98%.

**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, 2021	\$153,625
	December 31, 2022	<u>117,533</u>
Total		<u>\$271,158</u>

Rent expense totaled \$160,000 and \$158,000 for the years ended December 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019.

**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, 2020 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalents	\$164,009	
Contributions receivable due within one year	<u>687,208</u>	
Total financial assets		\$851,217
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(600,065)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$251,152</u>

**Note 10. Subsequent Events**

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through August 10, 2021, the date the financial statements were available to be issued. All events that 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 have been made.

**Note 11. Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted, however supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.