



THE
RESOLUTION[®]
PROJECT

Audited Financial Statements

For the Six-Month Period Ended June 30, 2021

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 June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the six-month period 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

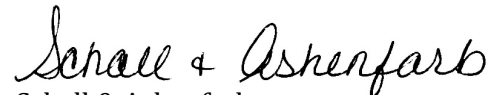
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 entity'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 entity'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 June 30, 2021, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.


Schall & Ashenfarb
Certified Public Accountants, LLC

February 2, 2022

THE RESOLUTION PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2021

Assets

Cash and cash equivalents	\$285,701
Contributions receivable	304,269
Prepaid expenses	30,230
Security deposit	47,071
Fixed assets, net of accumulated depreciation (Note 3)	<u>38,428</u>
 Total assets	 <u><u>\$705,699</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$95,856
Paycheck Protection Program loan (Note 4)	225,000
Deferred rent	14,843
Total liabilities	<u>335,699</u>
 Net assets:	
Without donor restrictions	(309,291)
With donor restrictions (Note 5)	679,291
Total net assets	<u>370,000</u>
 Total liabilities and net assets	 <u><u>\$705,699</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 SIX-MONTH PERIOD ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$60,730	\$275,000	\$335,730
Special event income (Note 6)	194,711		194,711
Loss on uncollectible pledge (Note 5)		(100,000)	(100,000)
Net assets released from restrictions (Note 5)	528,774	(528,774)	0
Total public support and revenue	784,215	(353,774)	430,441
Expenses:			
Program services	628,779		628,779
Supporting services:			
Management and general	179,814		179,814
Fundraising	161,839		161,839
Total expenses	970,432	0	970,432
Change in net assets	(186,217)	(353,774)	(539,991)
Net assets - beginning of period	(123,074)	1,033,065	909,991
Net assets - end of period	(\$309,291)	\$679,291	\$370,000

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 SIX-MONTH PERIOD ENDED JUNE 30, 2021

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$388,250	\$82,664	\$110,864	\$581,778
Payroll taxes and benefits	89,476	19,054	25,549	134,079
Total personnel services	<u>477,726</u>	<u>101,718</u>	<u>136,413</u>	<u>715,857</u>
Professional fees		51,164	1,000	52,164
Social venture competition	64,581			64,581
Office expense	3,395	722	970	5,087
Information technology	13,485	3,508	2,463	19,456
Occupancy	54,916	11,691	15,682	82,289
Meetings and conferences	4,849	3,589	594	9,032
Insurance	2,216	1,610	633	4,459
Special event expenses			1,000	1,000
Other expenses	591	4,318	1,079	5,988
Depreciation	7,020	1,494	2,005	10,519
Total expenses	<u>\$628,779</u>	<u>\$179,814</u>	<u>\$161,839</u>	<u>\$970,432</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 SIX-MONTH PERIOD ENDED JUNE 30, 2021

Cash flows from operating activities:	
Change in net assets	(\$539,991)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation	10,519
Changes in assets and liabilities:	
Contributions receivable	382,939
Prepaid expenses	(12,912)
Accounts payable and accrued expenses	65,093
Paycheck Protection Program loan	225,000
Deferred rent	(3,902)
Total adjustments	<u>666,737</u>
Net cash flows provided by operating activities	<u>126,746</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(5,054)</u>
Net cash flows used for investing activities	<u>(5,054)</u>
Net increase in cash and cash equivalents	121,692
Cash and cash equivalents - beginning of period	<u>164,009</u>
Cash and cash equivalents - end of period	<u><u>\$285,701</u></u>
Supplemental information:	
Interest and taxes paid	<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
JUNE 30, 2021

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).

The Organization changed its fiscal year end to June 30 effective for this period. The attached financial statements represent activity for the six-month period ended June 30, 2021.

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 Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 958-605 for recording contributions, which 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 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 written off \$100,000 as uncollectible. No allowance for uncollectible accounts was deemed necessary as of June 30, 2021. Write-offs will be made in the period the receivable is deemed to be uncollectible.

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 period end and at certain times throughout the period, the Organization had uninsured balances; however, they have not suffered any losses due to bank failure.

During the six-month period ended June 30, 2021, contributions from one donor were approximately 38% 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.

Website and software – *5 years*

Furniture and equipment – *5 – 7 years*

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 expenses
- Information technology
- 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. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. As described in Note 1, the Organization changed its year end to June 30, 2021 and filed a tax return for the six-month period then ended.

The Organization had previously filed tax returns on a December year end. Tax filings for periods ending December 31, 2018 and later are subject to examination by applicable taxing authorities.

I. New Accounting Pronouncements

FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 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.

FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2023 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.

Management 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 as of June 30, 2021:

Website and software	\$95,818
Furniture and equipment	<u>67,410</u>
	163,228
Less: accumulated depreciation	<u>(124,800)</u>
Total fixed assets, net	<u>\$38,428</u>

Note 4. Paycheck Protection Program Loan

During the six-month period ended June 30, 2021, the Organization obtained a loan from the Small Business Administration (“SBA”) through the Paycheck Protection Program (“PPP”). Terms of the loan indicate that if certain conditions are met, which include 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. This was the second PPP loan obtained, the first having been received and forgiven in full in prior periods.

The Organization is treating the PPP proceeds in accordance with FASB ASC 958-605, as it is considered to have traits similar to a conditional contribution. Under this treatment, the proceeds from the loan will remain a liability until all conditions have been met, including notification that the loan is forgiven by the SBA.

Subsequent to June 30, 2021, the Organization submitted its application for full forgiveness of the PPP loan. Revenue is expected to be recognized in the year ended June 30, 2022.

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions can be summarized as follows:

	<u>June 30, 2021</u>				
	<u>Beginning Balance 1/1/21</u>	<u>Contributions</u>	<u>Write- Off</u>	<u>Released from Restrictions</u>	<u>Ending Balance 6/30/21</u>
Program restricted:					
Fellowship Program	\$38,919	\$0	\$0	(\$22,753)	\$16,166
SVC Program	<u>561,146</u>	<u>275,000</u>	<u>0</u>	<u>(339,521)</u>	<u>496,625</u>
Total program restricted	600,065	275,000	0	(362,274)	512,791
Time restricted - general	<u>433,000</u>	<u>0</u>	<u>(100,000)</u>	<u>(166,500)</u>	<u>166,500</u>
Total	<u>\$1,033,065</u>	<u>\$275,000</u>	<u>(\$100,000)</u>	<u>(\$528,774)</u>	<u>\$679,291</u>

Note 6. Special Events

The Organization held a virtual fundraising event during the six-month period ended June 30, 2021. A summary of the event proceeds is as follows:

Gross revenue	\$194,711
Less: expenses with a direct benefit to donors	<u>0</u>
	194,711
Less: other event expenses	<u>(1,000)</u>
Total	<u>\$193,711</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:	June 30, 2022	\$155,527
	June 30, 2023	<u>39,611</u>
Total		<u>\$195,138</u>

Rent expense totaled \$80,000 for the six-month period ended June 30, 2021.

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 six-month period ended June 30, 2021.

Note 9. Availability of Funds for Donor-Imposed Restrictions

At June 30, 2021, the Organization has less cash and cash equivalents on hand than needed to comply with all donor-imposed restrictions.

Note 10. 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 June 30, 2021 that are available to meet cash needs for general expenditures within one year:

Financial assets at period end:		
Cash and cash equivalents	\$285,701	
Contributions receivable	<u>304,269</u>	
Total financial assets		\$589,970
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(512,791)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$77,179</u>

Note 11. Subsequent Events

Subsequent events have been evaluated through February 2, 2022, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.

Note 12. 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.