



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

**Audited Financial Statements**

**June 30, 2022**

## **Independent Auditors' Report**

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

### ***Opinion***

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

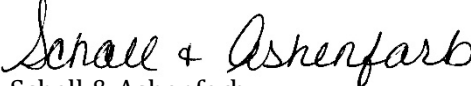
## ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Organization. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of the Organization to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

January 23, 2023

**THE RESOLUTION PROJECT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2022**

**Assets**

Cash and cash equivalents	\$423,489
Contributions receivable	204,330
Prepaid expenses	42,067
Security deposit	92,334
Fixed assets, net of accumulated depreciation (Note 3)	<u>29,160</u>
Total assets	<u><u>\$791,380</u></u>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable and accrued expenses	\$95,550
Deferred rent	3,552
Total liabilities	<u>99,102</u>
Net assets:	
Without donor restrictions	79,316
With donor restrictions (Note 4)	612,962
Total net assets	<u>692,278</u>
Total liabilities and net assets	<u><u>\$791,380</u></u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE RESOLUTION PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$1,248,385	\$767,619	\$2,016,004
Special event income (Note 5)	239,644		239,644
Paycheck Protection Program loan forgiveness (Note 6)	225,000		225,000
Net assets released from restrictions (Note 4)	833,948	(833,948)	0
Total public support and revenue	<u>2,546,977</u>	<u>(66,329)</u>	<u>2,480,648</u>
Expenses:			
Program services	1,451,600		1,451,600
Supporting services:			
Management and general	419,908		419,908
Fundraising	286,862		286,862
Total expenses	<u>2,158,370</u>	<u>0</u>	<u>2,158,370</u>
Change in net assets	388,607	(66,329)	322,278
Net assets - beginning of year	<u>(309,291)</u>	<u>679,291</u>	<u>370,000</u>
Net assets - end of year	<u><u>\$79,316</u></u>	<u><u>\$612,962</u></u>	<u><u>\$692,278</u></u>

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**THE RESOLUTION PROJECT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$846,186	\$190,024	\$172,197	\$1,208,407
Payroll taxes and benefits	203,760	45,758	41,464	290,982
Total personnel services	1,049,946	235,782	213,661	1,499,389
Professional fees	3,734	112,389	5,019	121,142
Social venture competition	193,857			193,857
Office expense	14,709	3,302	2,993	21,004
Information technology	40,127	10,200	5,165	55,492
Occupancy	114,549	25,724	23,311	163,584
Meetings and conferences	13,335	6,932	3,891	24,158
Insurance	4,791	2,116	975	7,882
Special event expenses			66,669	66,669
Other expenses	1,432	20,067	2,429	23,928
Depreciation	15,120	3,396	3,077	21,593
Total expenses	1,451,600	419,908	327,190	2,198,698
Less: direct special event expenses netted with revenue			(40,328)	(40,328)
Total expenses for statement of activities	<u>\$1,451,600</u>	<u>\$419,908</u>	<u>\$286,862</u>	<u>\$2,158,370</u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE RESOLUTION PROJECT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities:	
Change in net assets	\$322,278
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation	21,593
Changes in assets and liabilities:	
Contributions receivable	99,939
Prepaid expenses	(11,837)
Security deposit	(45,263)
Accounts payable and accrued expenses	(306)
Paycheck Protection Program loan	(225,000)
Deferred rent	<u>(11,291)</u>
Total adjustments	<u>(172,165)</u>
Net cash flows provided by operating activities	<u>150,113</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(12,325)</u>
Net cash flows used for investing activities	<u>(12,325)</u>
Net increase in cash and cash equivalents	137,788
Cash and cash equivalents - beginning of year	<u>285,701</u>
Cash and cash equivalents - end of year	<u><u>\$423,489</u></u>
Supplemental information:	
Interest and taxes paid	<u><u>\$0</u></u>

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE RESOLUTION PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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 the six-month period ending 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 knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2022. Write-offs will be made in the period the receivable is deemed to be uncollectable. All receivables at June 30, 2022 are due within one year.

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 year ended June 30, 2022, contributions from one donor were approximately 26% 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.

i. 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.

j. 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.

k. 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.

l. 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, 2019 and later are subject to examination by applicable taxing authorities.

m. **New Accounting Pronouncements**

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 this standard will have on future financial statements.

**Note 3. Fixed Assets**

Fixed assets consist of the following as of June 30, 2022:

Website and software	\$95,818
Furniture and equipment	<u>79,735</u>
	175,553
Less: accumulated depreciation	<u>(146,393)</u>
Total fixed assets, net	<u>\$29,160</u>

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

Net assets with donor restrictions can be summarized as follows:

	June 30, 2022			
	Beginning Balance <u>7/1/21</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/22</u>
Program restricted:				
Fellowship Program	\$16,166	\$0	(\$16,166)	\$0
SVC Program	<u>496,625</u>	<u>767,619</u>	<u>(651,282)</u>	<u>612,962</u>
Total program restricted	512,791	767,619	(667,448)	612,962
Time restricted - general	<u>166,500</u>	<u>0</u>	<u>(166,500)</u>	<u>0</u>
Total	<u>\$679,291</u>	<u>\$767,619</u>	<u>(\$833,948)</u>	<u>\$612,962</u>

**Note 5. Special Events**

A summary of the event proceeds is as follows:

Gross revenue	\$279,972
Less: expenses with a direct benefit to donors	<u>(40,328)</u>
	239,644
Less: other event expenses	<u>(26,341)</u>
Total	<u>\$213,303</u>

**Note 6. Paycheck Protection Program Loan**

During the six month period ended June 30, 2021, the Organization obtained a second loan from the Small Business Administration (“SBA”) through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven.

The Organization treated 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 are a liability until all conditions are met, including notification that the loan is forgiven by the SBA.

During the year ended June 30, 2022, the Organization received full forgiveness of the PPP loan and recognized the amount as revenue.

**Note 7. Commitments**

The Organization had a lease agreement for office space that expired on September 30, 2022. A new lease for office space was entered into that expires October 31, 2027.

Future minimum payments are as follows:

Year ending:	June 30, 2023	\$220,661
	June 30, 2024	185,576
	June 30, 2025	190,216
	June 30, 2026	194,971
	June 30, 2027	199,845
	Thereafter	<u>102,421</u>
Total		<u>\$1,093,690</u>

Rent expense totaled \$144,000 for the year ended June 30, 2022.

**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 year ended June 30, 2022.

**Note 9. Availability of Funds for Donor-Imposed Restrictions**

At June 30, 2022, 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, 2022 that are available to meet cash needs for general expenditures within one year:

Financial assets at period end:		
Cash and cash equivalents	\$423,489	
Contributions receivable	<u>204,330</u>	
Total financial assets		\$627,819
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(612,962)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$14,857</u>

**Note 11. Subsequent Events**

Subsequent events have been evaluated through January 23, 2023, 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.