



To the Board of Directors of the
Shift Project, Ltd.:

In planning and performing our audit of the financial statements of the Shift Project, Ltd. (the "Organization") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we did not become aware of any other matters involving the Organization's internal control structure that warrant further review and consideration. We thank you and your fine staff for the excellent cooperation we received throughout the course of the audit.

This communication is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York
October 18, 2019

NawrockiSmith LLP

SHIFT PROJECT, LTD.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018
TOGETHER WITH AUDITOR'S REPORT

SHIFT PROJECT, LTD.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Shift Project, Ltd.:

We have audited the accompanying financial statements of the Shift Project, Ltd. (the "Organization", a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

NawrockiSmith

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shift Project, Ltd. as of June 30, 2019 and 2018, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2019 the Organization adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The effect of ASU 2016-14 requires the Organization to apply the changes discussed in Note 3 to the financial statements retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melville, New York
October 18, 2019



SHIFT PROJECT, LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 976,416	\$ 538,201
Accounts receivable	744,484	619,728
Prepaid expenses	6,094	39,790
Total current assets	1,726,994	1,197,719
FIXED ASSETS, net of accumulated depreciation of \$18,516 and \$19,809, respectively	15,414	14,802
SECURITY DEPOSIT	21,106	29,821
Total assets	<u>\$ 1,763,514</u>	<u>\$ 1,242,342</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 201,609	\$ 178,084
Deferred revenue	517,925	288,414
Total current liabilities	719,534	466,498
NET ASSETS:		
Without donor restrictions	1,043,980	775,844
Total net assets	1,043,980	775,844
Total liabilities and net assets	<u>\$ 1,763,514</u>	<u>\$ 1,242,342</u>

The accompanying notes to financial statements
are an integral part of these statements.

SHIFT PROJECT, LTD.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES:		
Program income	\$ 1,501,216	\$ 1,158,723
Government grants	920,651	760,493
Private grants	283,852	299,303
Contributions	10,500	10,500
In-kind contributions	69,340	20,000
Miscellaneous	<u>-</u>	<u>3,565</u>
Total revenues	<u>2,785,559</u>	<u>2,252,584</u>
EXPENSES:		
Program services	1,944,504	1,531,587
Support services:		
Administration	532,918	415,330
Fundraising	<u>40,001</u>	<u>49,301</u>
Total expenses	<u>2,517,423</u>	<u>1,996,218</u>
Change in net assets	268,136	256,366
NET ASSETS, BEGINNING OF YEAR	<u>775,844</u>	<u>519,478</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,043,980</u></u>	<u><u>\$ 775,844</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

SHIFT PROJECT, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services		
	International Partnerships	Business Learning	Education and Outreach	Government Engagement	Total Program	Administration	Fundraising	Totals
Salaries and employee benefits	\$ 562,564	\$ 265,655	\$ 296,909	\$ 93,761	\$ 1,218,889	\$ 312,536	\$ 31,254	\$ 1,562,679
Contract services	328,306	97,351	20,166	21,700	467,523	19,497	-	487,020
Travel and accommodations	16,878	40,405	11,223	3,242	71,748	24,199	1,317	97,264
Rent and utilities	21,766	10,278	11,488	3,628	47,160	42,444	4,716	94,320
Professional fees	-	-	-	-	-	88,069	-	88,069
Workshops and meetings	17,385	16,999	8,627	-	43,011	-	-	43,011
In-kind expenses	69,340	-	-	-	69,340	-	-	69,340
Office	9,377	4,396	5,692	1,546	21,011	18,084	2,009	41,104
Staff development	-	-	-	-	-	14,000	-	14,000
Miscellaneous	-	-	-	-	-	7,589	-	7,589
Interest, bank and credit card fees	2,687	1,269	1,418	448	5,822	1,493	149	7,464
Depreciation	-	-	-	-	-	5,007	556	5,563
	<u>\$ 1,028,303</u>	<u>\$ 436,353</u>	<u>\$ 355,523</u>	<u>\$ 124,325</u>	<u>\$ 1,944,504</u>	<u>\$ 532,918</u>	<u>\$ 40,001</u>	<u>\$ 2,517,423</u>

The accompanying notes to financial statements
are an integral part of these statements.

SHIFT PROJECT, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services		
	International Partnerships	Business Learning	Education and Outreach	Government Engagement	Total Program	Administration	Fundraising	Totals
Salaries and employee benefits	\$ 494,376	\$ 178,525	\$ 315,852	\$ 109,861	\$ 1,098,614	\$ 233,456	\$ 41,198	\$ 1,373,268
Contract services	131,162	37,600	24,602	9,000	202,364	12,371	-	214,735
Rent and utilities	32,441	11,715	20,726	7,209	72,091	64,883	7,209	144,183
Travel and accommodations	10,974	37,907	19,213	2,856	70,950	14,247	174	85,371
Professional fees	-	-	-	-	-	46,874	-	46,874
Workshops and meetings	36,196	18,039	9,398	-	63,633	-	-	63,633
Office	8,006	2,891	5,117	1,779	17,793	17,792	-	35,585
In-kind expenses	-	-	-	-	-	20,000	-	20,000
Interest, bank and credit card fees	2,764	998	1,766	614	6,142	1,305	231	7,678
Depreciation	-	-	-	-	-	4,402	489	4,891
	<u>\$ 715,919</u>	<u>\$ 287,675</u>	<u>\$ 396,674</u>	<u>\$ 131,319</u>	<u>\$ 1,531,587</u>	<u>\$ 415,330</u>	<u>\$ 49,301</u>	<u>\$ 1,996,218</u>

The accompanying notes to financial statements
are an integral part of these statements

SHIFT PROJECT, LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 268,136	\$ 256,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,563	4,891
Increase in accounts receivable	(124,756)	(47,390)
(Increase) decrease in prepaid expenses	33,696	(18,043)
Decrease in security deposit	8,715	10,553
Increase in accounts payable and accrued expenses	23,525	32,043
Increase (decrease) in deferred revenue	<u>229,511</u>	<u>(37)</u>
Net cash provided by operating activities	<u>444,390</u>	<u>238,383</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(6,175)</u>	<u>(6,763)</u>
Net cash used by investing activities	<u>(6,175)</u>	<u>(6,763)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	438,215	231,620
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>538,201</u>	<u>306,581</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 976,416</u>	<u>\$ 538,201</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Retirement of fully depreciated fixed assets	<u>\$ 6,856</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of these statements.

SHIFT PROJECT, LTD.
NOTES TO FINANCIAL STATEMENTS

(1) Organization and purpose

The Shift Project, Ltd. (the "Organization") was formed in 2011 as an independent non-profit center for business and human rights practice. The Organization helps governments, businesses and their stakeholders, put the *United Nations (UN) Guiding Principles on Business and Human Rights* into practice; develops public guidance materials that help build the field globally; and works through four main program streams: international partnerships, business learning, education and outreach activities, and government engagement.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization which are presented under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Organization:

Basis of accounting and financial statement presentation -

The accompanying financial statements include the accounts of the Organization's programs, administration and fundraising. The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Organization's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Organization's net assets consist of the following:

Without donor restrictions - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

As of June 30, 2019 and 2018, the Organization did not possess any net assets with donor restrictions.

As required by U.S. generally accepted accounting principles, the Organization has also presented Statements of Cash Flows for the years ended June 30, 2019 and 2018.

Revenue and expense recognition -

Revenue from program income and government grants is recognized in accordance with the terms of the respective contract or grant, which is generally when the expense is incurred. Deferred revenue consists of amounts received from funding sources for which the Organization has not yet fulfilled its obligations. Such amounts are reflected in revenue when the related services are performed and the contractual requirements met. Expenses are recognized when incurred.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Fixed assets -

Fixed assets are stated at cost or current fair value for donated items. Maintenance and repairs are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally periods of three to ten years).

Contributed services -

Contributed services of general counsel have been recognized in the accompanying financial statements. The donated value of the services provided for the years ended June 30, 2019 and 2018 were \$69,340 and \$20,000, respectively.

Liquidity considerations -

Quantitative

As of June 30, 2019, and 2018, the Organization has \$1,720,900 and \$1,157,929, respectively, of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures.

Qualitative

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 4 months of normal operating expenses, which are, on average, approximately \$800,000.

Functional expenses -

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include salaries and employee benefits and contract services which are allocated on the basis of estimates of time and effort. Rent and utilities are allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Income taxes -

The Organization qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the United States Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income tax is required.

Accounting for uncertainty in income taxes -

The Organization does not believe there are any material uncertain tax positions and accordingly, it has not recognized any such liability. For the years ended June 30, 2019 and 2018, there were no interest or penalties recorded or included in the financial statements. Returns filed for tax years ended on or after June 30, 2016, are subject to examination by federal and state authorities.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Reclassifications -

Certain reclassifications have been made on the Statement of Functional Expenses for the year ended June 30, 2018 to conform to the current year presentation.

(3) New accounting standards

For the fiscal year ended June 30, 2019, the Organization implemented FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The Organization has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions; and
- The financial statements include disclosures about liquidity and availability of resources and functional expense allocation.

(4) Fixed assets

As of June 30, 2019 and 2018, fixed assets are comprised of the following:

	<u>2019</u>	<u>2018</u>
Computers and equipment	\$ 33,930	\$ 34,611
Less: accumulated depreciation	<u>18,516</u>	<u>19,809</u>
	<u>\$ 15,414</u>	<u>\$ 14,802</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$5,563 and \$4,891, respectively.

(5) Program income

Program income was distributed among the following program categories for years ended June 30, 2019 and 2018:

	2019	2018
Business Learning Program	\$ 841,306	\$ 676,489
International Partnerships Program	274,981	77,458
Government Engagement Program	209,917	168,375
Education and Outreach Program	175,012	236,401
	<u>\$ 1,501,216</u>	<u>\$ 1,158,723</u>

(6) Government grants

Government grant revenue for the years ended June 30, 2019 and 2018 is comprised of the following:

	2019	2018
United Kingdom - Department for International Development	\$ 554,213	\$ 642,618
Norwegian Ministry of Foreign Affairs Cooperation Agency	366,438	67,905
Ministry of Foreign Affairs - Sweden	-	49,970
	<u>\$ 920,651</u>	<u>\$ 760,493</u>

(7) Concentrations of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

(8) Commitments and contingencies

Government grants -

The Organization receives a substantial portion of its funding from various international government agencies. The funding is contingent on amounts being spent as stipulated in the grant agreements. Such grants are subject to audit by the governmental agencies, and may result in disallowances and a request for return of funds.

Office lease -

The Organization has an operating lease for office space which expires in 2020. Rent expense for the years ended June 30, 2019 and 2018 was \$94,320 and \$144,183, respectively. Future minimum lease payments under these leases are as follows:

<u>Year-Ending June 30,</u>	
2020	<u>\$ 29,545</u>

(9) Subsequent events

The Organization has evaluated subsequent events through October 18, 2019, which is the date these financial statements were available to be issued. No subsequent events having a material effect on the financial statements were noted.

SHIFT PROJECT, LTD.
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENSES
NORWEGIAN MINISTRY OF FOREIGN AFFAIRS
QZA-18/0420 VALUING RESPECT
HOW TO EVALUATE BUSINESS RESPECT FOR HUMAN RIGHTS
FOR THE YEAR ENDED JUNE 30, 2019

REVENUES:	
Grants	\$ 366,438
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Total revenues	366,438
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EXPENSES:	
Staff and team contractors	311,229
Contract services	45,072
Overhead	9,318
Program meeting cost	819
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Total expenses *	366,438
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Available to use by June 30, 2019	\$ -
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* The above expenses do not include travel expenses totaling \$4,536. This amount is reflected in both assets and liabilities on the Statement of Financial Position.