

**SHIFT PROJECT, LTD.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
TOGETHER WITH AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2020 AND 2019**

**SHIFT PROJECT, LTD.  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2020 AND 2019  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Shift Project, Ltd. (the "Organization", a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, 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 Shift Project, Ltd. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *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 26, 2020

*Nawrocki Smith LLP*

**SHIFT PROJECT, LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 AND 2019**

ASSETS	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,778,899	\$ 976,416
Accounts receivable	274,893	744,484
Prepaid expenses	<u>7,778</u>	<u>6,094</u>
Total current assets	<u>2,061,570</u>	<u>1,726,994</u>
FIXED ASSETS, net of accumulated depreciation of \$24,804 and \$18,516, respectively	16,944	15,414
SECURITY DEPOSIT	<u>12,160</u>	<u>21,106</u>
Total assets	<u><u>\$ 2,090,674</u></u>	<u><u>\$ 1,763,514</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 82,285	\$ 201,609
Deferred revenue	<u>608,556</u>	<u>517,925</u>
Total current liabilities	<u>690,841</u>	<u>719,534</u>
LOAN PAYABLE	<u>173,965</u>	<u>-</u>
Total liabilities	<u>864,806</u>	<u>719,534</u>
<b>NET ASSETS:</b>		
Without donor restrictions	<u>1,225,868</u>	<u>1,043,980</u>
Total net assets	<u>1,225,868</u>	<u>1,043,980</u>
Total liabilities and net assets	<u><u>\$ 2,090,674</u></u>	<u><u>\$ 1,763,514</u></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, 2020 AND 2019**

	2020	2019
<b>REVENUES:</b>		
Program income	\$ 1,645,687	\$ 1,501,216
Government grants	515,493	920,651
Private grants	425,931	283,852
Contributions	10,500	10,500
In-kind contributions	57,110	69,340
Miscellaneous	9,489	-
Total revenues	2,664,210	2,785,559
<b>EXPENSES:</b>		
Program services:		
International Partnerships	1,045,689	1,028,303
Business Learning	401,038	436,353
Education and Outreach	317,269	355,523
Government Engagement	108,332	124,325
Total program services	1,872,328	1,944,504
Supporting services:		
Administration	552,881	532,918
Fundraising	57,113	40,001
Total supporting services	609,994	572,919
Total expenses	2,482,322	2,517,423
Change in net assets	181,888	268,136
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,043,980	775,844
<b>NET ASSETS, END OF YEAR</b>	\$ 1,225,868	\$ 1,043,980

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, 2020**

	Program Services				Total Program Services	Supporting Services		Totals
	International Partnerships	Business Learning	Education and Outreach	Government Engagement		Administration	Fundraising	
Salaries and employee benefits	\$ 596,208	\$ 290,047	\$ 225,592	\$ 96,682	\$ 1,208,529	\$ 354,502	\$ 48,341	\$ 1,611,372
Contract services	367,467	67,481	67,960	2,475	505,383	10,824	-	516,207
Rent and utilities	23,508	11,437	8,895	3,812	47,652	42,888	4,765	95,305
Travel and accommodations	15,351	22,185	8,637	3,414	49,587	8,176	1,115	58,878
Professional fees	-	-	-	-	-	57,721	-	57,721
In-kind expenses	28,582	-	-	-	28,582	28,528	-	57,110
Office	9,660	4,562	5,099	1,610	20,931	18,838	2,093	41,862
Staff development	-	-	-	-	-	24,500	-	24,500
Workshops and meetings	2,820	4,308	294	-	7,422	-	-	7,422
Depreciation	-	-	-	-	-	5,659	629	6,288
Interest, bank and credit card fees	2,093	1,018	792	339	4,242	1,245	170	5,657
<b>Total</b>	<b><u>\$ 1,045,689</u></b>	<b><u>\$ 401,038</u></b>	<b><u>\$ 317,269</u></b>	<b><u>\$ 108,332</u></b>	<b><u>\$ 1,872,328</u></b>	<b><u>\$ 552,881</u></b>	<b><u>\$ 57,113</u></b>	<b><u>\$ 2,482,322</u></b>

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

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

	Program Services				Total Program Services	Supporting Services		Totals
	International Partnerships	Business Learning	Education and Outreach	Government Engagement		Administration	Fundraising	
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
<b>Total</b>	<b>\$ 1,028,303</b>	<b>\$ 436,353</b>	<b>\$ 355,523</b>	<b>\$ 124,325</b>	<b>\$ 1,944,504</b>	<b>\$ 532,918</b>	<b>\$ 40,001</b>	<b>\$ 2,517,423</b>

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

**SHIFT PROJECT, LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 181,888	\$ 268,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,288	5,563
Decrease (increase) in accounts receivable	469,591	(124,756)
(Increase) decrease in prepaid expenses	(1,684)	33,696
Decrease in security deposit	8,946	8,715
(Decrease) increase in accounts payable and accrued expenses	(119,324)	23,525
Increase in deferred revenue	90,631	229,511
Net cash provided by operating activities	636,336	444,390
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(7,818)	(6,175)
Net cash used by investing activities	(7,818)	(6,175)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	173,965	-
Net cash provided by financing activities	173,965	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	802,483	438,215
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	976,416	538,201
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,778,899	\$ 976,416

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

**SHIFT PROJECT, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**

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**(1) Organization and purpose**

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, 2020 and 2019, 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, 2020 and 2019.

**Cash and cash equivalents -**

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

**Accounts receivable -**

Accounts receivable primarily consist of amounts due from program income contracts. All receivables are considered collectible as of June 30, 2020 and 2019.

**SHIFT PROJECT, LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Fixed assets -

Fixed assets are stated at cost or current fair value for donated items. The cost of fixed assets purchased in excess of \$1,000 is capitalized. 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).

Revenue recognition -

Effective July 1, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization applied the modified retrospective method of adoption, which resulted in no adjustment to net assets as of July 1, 2019.

Effective July 1, 2019, the Organization adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The new guidance clarifies and improves guidance on whether a transfer of assets is a contribution or an exchange and whether a contribution is conditional. The Organization applied the modified retrospective method of adoption, which resulted in no adjustment to net assets as of July 1, 2019.

The following are the significant revenue recognition accounting policies of the Organization:

Program income - Program income is reported at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to governments, businesses and their stakeholders, to put the *UN Guiding Principles on Business and Human Rights* into practice. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

Grants and contributions - Grants are recognized as income when earned and contributions are recognized as income when received. Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor 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 and reported in the Statements of Activities and Changes in Net Assets as net assets released from restriction. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

**SHIFT PROJECT, LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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Contributed services -

Contributed services of legal counsel have been recognized in the accompanying financial statements. The donated value of the services provided for the years ended June 30, 2020 and 2019 was \$57,110 and \$69,340, respectively.

Functional expenses -

Expenses are recognized when incurred. 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.

Liquidity considerations -

Quantitative

As of June 30, 2020, and 2019, the Organization has \$2,053,792 and \$1,720,900, 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, in the ensuing fiscal year.

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 5 months of normal operating expenses, which are, on average, approximately \$1,032,000.

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.

**SHIFT PROJECT, LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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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, 2020 and 2019, there were no interest or penalties recorded or included in the financial statements. Returns filed for tax years ended on or after June 30, 2017, 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.

**(3) Fixed assets**

As of June 30, 2020 and 2019, fixed assets are comprised of the following:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 41,748	\$ 33,930
Less: accumulated depreciation	<u>24,804</u>	<u>18,516</u>
	<u>\$ 16,944</u>	<u>\$ 15,414</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$6,288 and \$5,563, respectively.

**(4) Program income**

Program income was distributed among the following program categories for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Business Learning Program	\$ 766,667	\$ 841,306
International Partnerships Program	448,139	274,981
Government Engagement Program	223,056	209,917
Education and Outreach Program	<u>207,825</u>	<u>175,012</u>
	<u>\$ 1,645,687</u>	<u>\$ 1,501,216</u>

**SHIFT PROJECT, LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**(5) Government grants**

Government grant revenue for the years ended June 30, 2020 and 2019 is comprised of the following:

	2020	2019
United Kingdom - Department for International Development	\$ 244,873	\$ 554,213
Norwegian Ministry of Foreign Affairs Cooperation Agency	270,620	366,438
	\$ 515,493	\$ 920,651

**(6) Loan payable**

On May 4, 2020, the Organization received loan proceeds in the amount of \$173,965 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan is forgivable so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

**(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. For the years ended June 30, 2020 and 2019, there has not been any cases of return of funds.

Office lease -

The Organization had an operating lease for office space which expired in November 2019. The Organization has moved into a shared office space that offers month-to-month flexible leasing. Rent expense for the years ended June 30, 2020 and 2019 was \$95,305 and \$94,320, respectively.

**SHIFT PROJECT, LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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COVID-19 -

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its 2020 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. In connection therewith, the Organization applied for and received a PPP loan in connection with the CARES Act. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurring are still developing.

**(9) Subsequent events**

The Organization has evaluated subsequent events through October 26, 2020, which is the date these financial statements were available to be issued, noting no matters which require disclosure in the financial statements.

**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, 2020**

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REVENUES:	
Grants	<u>\$ 270,620</u>
Total revenues	<u>270,620</u>
EXPENSES:	
Staff and team contractors	176,035
Contract services	51,916
Partner travel	6,414
Overhead	24,300
Program meeting cost	<u>11,955</u>
Total expenses *	<u>270,620</u>
Available to use by June 30, 2020	<u><u>\$ -</u></u>

\* The above expenses do not include travel expenses totaling \$7,585. This amount is reflected in both assets and liabilities on the Statement of Financial Position.