



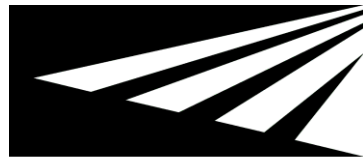
SHIFT PROJECT, LTD.

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

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

**SHIFT PROJECT, LTD.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020
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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, 2021 and 2020, 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, 2021 and 2020, 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.

Hauppauge, New York
October 29, 2021

Nawrocki Smith LLP

SHIFT PROJECT, LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,342,714	\$ 1,778,899
Accounts receivable	472,558	274,893
Prepaid expenses	<u>7,203</u>	<u>7,778</u>
Total current assets	<u>2,822,475</u>	<u>2,061,570</u>
FIXED ASSETS, net of accumulated depreciation of \$27,667 and \$24,804, respectively	17,906	16,944
SECURITY DEPOSIT	<u>20,264</u>	<u>12,160</u>
Total assets	<u><u>\$ 2,860,645</u></u>	<u><u>\$ 2,090,674</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 172,109	\$ 82,285
Deferred revenue - other	887,163	608,556
Deferred revenue - Paycheck Protection Program	<u>173,965</u>	<u>-</u>
Total current liabilities	<u>1,233,237</u>	<u>690,841</u>
LOAN PAYABLE	<u>-</u>	<u>173,965</u>
Total liabilities	<u>1,233,237</u>	<u>864,806</u>
NET ASSETS:		
Without donor restrictions	<u>1,627,408</u>	<u>1,225,868</u>
Total net assets	<u>1,627,408</u>	<u>1,225,868</u>
Total liabilities and net assets	<u><u>\$ 2,860,645</u></u>	<u><u>\$ 2,090,674</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, 2021 AND 2020

	2021	2020
REVENUES:		
Program income	\$ 1,874,364	\$ 1,645,687
Government grants	367,761	515,493
Private grants	517,716	425,931
Contributions	35,219	10,500
In-kind contributions	7,858	57,110
Interest and dividends	255	-
Miscellaneous	-	9,489
	2,803,173	2,664,210
EXPENSES:		
Program services:		
International Partnerships	800,823	1,041,991
Business Engagement	507,960	722,604
Financial Institutions	140,895	-
Sports	172,382	-
Standards	238,580	-
Government Engagement	-	107,733
	1,860,640	1,872,328
Supporting services:		
Administration	486,890	552,881
Fundraising	54,103	57,113
	540,993	609,994
Total expenses	2,401,633	2,482,322
Change in net assets	401,540	181,888
NET ASSETS, BEGINNING OF YEAR	1,225,868	1,043,980
NET ASSETS, END OF YEAR	\$ 1,627,408	\$ 1,225,868

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, 2021

	Program Services					Total Program Services	Supporting Services		Totals
	International Partnerships	Business Engagement	Financial Institutions	Sports	Standards		Administration	Fundraising	
Salaries and employee benefits	\$ 375,190	\$ 460,461	\$ 136,433	\$ 102,324	\$ 221,703	\$ 1,296,111	\$ 358,136	\$ 51,162	\$ 1,705,409
Contract services	398,726	34,572	1,319	65,154	12,595	512,366	43,056	-	555,422
Professional fees	-	-	-	-	-	-	56,053	-	56,053
Office	6,595	8,393	1,799	3,897	2,098	22,782	6,294	899	29,975
Rent and utilities	2,361	2,898	859	644	1,396	8,158	11,981	1,331	21,470
Workshops and meetings	12,689	-	-	-	-	12,689	-	-	12,689
In-kind expenses	3,929	-	-	-	-	3,929	3,929	-	7,858
Interest, bank and credit card fees	1,333	1,636	485	363	788	4,605	1,272	181	6,058
Depreciation	-	-	-	-	-	-	4,768	530	5,298
Miscellaneous	-	-	-	-	-	-	1,401	-	1,401
Total	\$ 800,823	\$ 507,960	\$ 140,895	\$ 172,382	\$ 238,580	\$ 1,860,640	\$ 486,890	\$ 54,103	\$ 2,401,633

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, 2020

	Program Services				Supporting Services		Totals
	International Partnerships	Business Engagement	Government Engagement	Total Program Services	Administration	Fundraising	
Salaries and employee benefits	\$ 596,208	\$ 515,639	\$ 96,682	\$ 1,208,529	\$ 354,502	\$ 48,341	\$ 1,611,372
Contract services	367,467	135,441	2,475	505,383	10,824	-	516,207
Travel and accommodations	15,351	30,822	3,414	49,587	8,176	1,115	58,878
Rent and utilities	19,810	24,629	3,213	47,652	42,888	4,765	95,305
Professional fees	-	-	-	-	57,721	-	57,721
Workshops and meetings	2,820	4,602	-	7,422	-	-	7,422
In-kind expenses	28,582	-	-	28,582	28,528	-	57,110
Office	9,660	9,661	1,610	20,931	18,838	2,093	41,862
Staff development	-	-	-	-	24,500	-	24,500
Miscellaneous	-	-	-	-	-	-	-
Interest, bank and credit card fees	2,093	1,810	339	4,242	1,245	170	5,657
Depreciation	-	-	-	-	5,659	629	6,288
Total	\$ 1,041,991	\$ 722,604	\$ 107,733	\$ 1,872,328	\$ 552,881	\$ 57,113	\$ 2,482,322

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 401,540	\$ 181,888
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,298	6,288
Decrease (increase) in accounts receivable	(197,665)	469,591
(Increase) decrease in prepaid expenses	575	(1,684)
(Increase) decrease in security deposit	(8,104)	8,946
(Decrease) increase in accounts payable and accrued expenses	89,824	(119,324)
Increase in deferred revenue - other	278,607	90,631
Net cash provided by operating activities	<u>570,075</u>	<u>636,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(6,260)</u>	<u>(7,818)</u>
Net cash used by investing activities	<u>(6,260)</u>	<u>(7,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	<u>-</u>	<u>173,965</u>
Net cash provided by financing activities	<u>-</u>	<u>173,965</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	563,815	802,483
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,778,899</u>	<u>976,416</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,342,714</u>	<u>\$ 1,778,899</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

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 five main program streams: international partnerships, business engagement, financial institutions, sports and standards. Program categories have been updated to better reflect current organizational strategy and priority areas.

(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, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020.

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

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 -

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.

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, 2021 and 2020 was \$7,858 and \$57,110, 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.

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

Liquidity considerations -

Quantitative

As of June 30, 2021, and 2020, the Organization has \$2,815,272 and \$2,053,792, 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 6 months of normal operating expenses, which are, on average, approximately \$1,221,000.

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.

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, 2021 and 2020, there were no interest or penalties recorded or included in the financial statements. Returns filed for tax years ended on or after June 30, 2018, 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, 2021 and 2020, fixed assets are comprised of the following:

	<u>2021</u>	<u>2020</u>
Computers and equipment	\$ 45,573	\$ 41,748
Less: accumulated depreciation	<u>27,667</u>	<u>24,804</u>
	<u>\$ 17,906</u>	<u>\$ 16,944</u>

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

Depreciation expense for the years ended June 30, 2021 and 2020 was \$5,298 and \$6,288, respectively.

(4) Program income

Program income was distributed among the following program categories for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Business Engagement	\$ 1,075,154	\$ 974,492
Sports	273,402	-
Financial Institutions	265,519	-
International Partnerships	150,987	448,139
Standards	109,302	
Government Engagement	-	223,056
	<u>\$ 1,874,364</u>	<u>\$ 1,645,687</u>

(5) Government grants

Government grant revenue for the years ended June 30, 2021 and 2020 is comprised of the following:

	<u>2021</u>	<u>2020</u>
United Kingdom - Department for International Development	\$ 2,990	\$ 244,873
Norwegian Ministry of Foreign Affairs Cooperation Agency	<u>364,771</u>	<u>270,620</u>
	<u>\$ 367,761</u>	<u>\$ 515,493</u>

(6) Paycheck Protection Program

On May 4, 2020, the Organization was granted a loan from a bank in the amount of \$173,965, pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020. The loan and accrued interest are forgivable after periods of eight weeks or twenty-four weeks as long as the borrower uses the proceeds for eligible purposes including payroll, benefits, rent and utilities and maintains its payroll levels. In accordance with U.S. generally accepted accounting principles, the Organization has opted to account for its PPP loan as an in-substance conditional government grant, which should be recognized in income when all conditions or measurable barriers have been substantially met. Conditions include initial eligibility and forgiveness criteria, which involves incurring eligible costs and maintaining certain employment and salary thresholds. Measurable barriers include the review and approval of the forgiveness application. The Organization has used the proceeds for purposes consistent with the PPP and believes its use of the funds will meet the conditions for forgiveness of the loan. The Organization believes that final approval of the forgiveness application and all conditions and barriers will be met during the fiscal year ending June 30, 2022.

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

Accordingly, the PPP funds have been reflected as deferred revenue in the Statements of Financial Position as of June 30, 2021.

(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, 2021 and 2020, there has not been any cases of return of funds.

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 2021 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 29, 2021, 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, 2021**

REVENUES:	
Grants	<u>\$ 364,771</u>
Total revenues	<u>364,771</u>
EXPENSES:	
Staff and team contractors	231,724
Contract services	99,886
Overhead	<u>33,161</u>
Total expenses	<u>364,771</u>
Available to use by June 30, 2021	<u><u>\$ -</u></u>

See auditor's report on supplementary information.