



SHIFT PROJECT, LTD.

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**

SHIFT PROJECT, LTD.
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AS OF AND FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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.

NawrockiSmith

Auditor's Responsibilities 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 auditor's 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Organization's internal control. 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 Organization's ability 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.

Hauppauge, New York
February 1, 2024

Nawrocki Smith LLP

SHIFT PROJECT, LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,814,355	\$ 2,359,706
Accounts receivable	740,327	849,486
Prepaid expenses	12,261	12,023
Total current assets	3,566,943	3,221,215
FIXED ASSETS, net	22,477	20,603
SECURITY DEPOSIT	20,264	20,264
Total assets	\$ 3,609,684	\$ 3,262,082
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 143,958	\$ 167,717
Deferred revenue - other	773,039	836,056
Total current liabilities	916,997	1,003,773
NET ASSETS:		
Without donor restrictions:		
Designated for the John Ruggie Legacy Fund	77,515	50,000
Undesignated	2,615,172	2,208,309
Total net assets	2,692,687	2,258,309
Total liabilities and net assets	\$ 3,609,684	\$ 3,262,082

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES:		
Program income	\$ 2,149,608	\$ 2,078,756
Private grants	861,551	726,297
Government grants	446,790	357,965
Interest	44,659	2,287
Contributions	37,515	60,300
Miscellaneous	<u>4,557</u>	<u>1,963</u>
Total revenues	<u>3,544,680</u>	<u>3,227,568</u>
EXPENSES:		
Program services:		
Business Engagement	1,233,770	836,026
Financial Institutions	310,413	247,762
Standards	<u>999,381</u>	<u>1,006,416</u>
Total program services	<u>2,543,564</u>	<u>2,090,204</u>
Supporting services:		
Administration	527,340	477,289
Fundraising	<u>39,398</u>	<u>29,174</u>
Total supporting services	<u>566,738</u>	<u>506,463</u>
Total expenses	<u>3,110,302</u>	<u>2,596,667</u>
Change in net assets	434,378	630,901
NET ASSETS, BEGINNING OF YEAR	<u>2,258,309</u>	<u>1,627,408</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,692,687</u></u>	<u><u>\$ 2,258,309</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, 2023

	Program Services				Supporting Services		Totals
	Business Engagement	Financial Institutions	Standards	Total Program Services	Administration	Fundraising	
Salaries and employee benefits	\$ 952,921	\$ 272,263	\$ 703,346	\$ 1,928,530	\$ 317,640	\$ 22,689	\$ 2,268,859
Contract services	156,502	15,225	166,035	337,762	60,090	-	397,852
Travel and accomodation	79,046	12,145	66,791	157,982	9,454	675	168,111
Professional fees	-	-	-	-	96,625	11,550	108,175
Office	23,286	6,653	17,187	47,126	7,762	554	55,442
Rent and utilities	11,026	3,150	8,138	22,314	27,171	3,019	52,504
Workshops and meetings	7,569	-	35,360	42,929	-	-	42,929
Depreciation	-	-	-	-	7,458	829	8,287
Interest, bank and credit card fees	3,420	977	2,524	6,921	1,140	82	8,143
Total	<u>\$ 1,233,770</u>	<u>\$ 310,413</u>	<u>\$ 999,381</u>	<u>\$ 2,543,564</u>	<u>\$ 527,340</u>	<u>\$ 39,398</u>	<u>\$ 3,110,302</u>

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, 2022

	Program Services				Supporting Services		Totals
	Business Engagement	Financial Institutions	Standards	Total Program Services	Administration	Fundraising	
Salaries and employee benefits	\$ 632,364	\$ 216,810	\$ 650,431	\$ 1,499,605	\$ 289,081	\$ 18,068	\$ 1,806,754
Contract services	150,691	17,478	296,541	464,710	66,435	464	531,609
Professional fees	-	-	-	-	78,839	7,500	86,339
Travel and accomodation	30,794	5,870	18,030	54,694	11,490	-	66,184
Office	15,302	5,247	15,740	36,289	6,958	436	43,683
Rent and utilities	6,139	2,105	6,314	14,558	18,469	2,052	35,079
Workshops and meetings	-	-	18,603	18,603	-	-	18,603
Depreciation	-	-	-	-	5,681	631	6,312
Interest, bank and credit card fees	736	252	757	1,745	336	23	2,104
Total	<u>\$ 836,026</u>	<u>\$ 247,762</u>	<u>\$ 1,006,416</u>	<u>\$ 2,090,204</u>	<u>\$ 477,289</u>	<u>\$ 29,174</u>	<u>\$ 2,596,667</u>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 434,378	\$ 630,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,287	6,312
Decrease (increase) in accounts receivable	109,159	(376,928)
Increase in prepaid expenses	(238)	(4,820)
Decrease in accounts payable and accrued expenses	(23,759)	(4,392)
Decrease in deferred revenue - Paycheck Protection Program	-	(173,965)
Decrease in deferred revenue - other	<u>(63,017)</u>	<u>(51,107)</u>
Net cash provided by operating activities	<u>464,810</u>	<u>26,001</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(10,161)</u>	<u>(9,009)</u>
Net cash used in investing activities	<u>(10,161)</u>	<u>(9,009)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	454,649	16,992
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,359,706</u>	<u>2,342,714</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,814,355</u></u>	<u><u>\$ 2,359,706</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

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 presently works through three main program streams: business engagement, financial institutions and standards.

(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 ("GAAP") 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, 2023 and 2022, the Organization did not possess any net assets with donor restrictions.

As required by GAAP, the Organization has also presented Statements of Cash Flows for the years ended June 30, 2023 and 2022.

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 and grants. All receivables are considered collectible as of June 30, 2023 and 2022.

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 Organization complies with and accounts for its revenues in accordance with FASB ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASC 606, *Revenue from Contracts with Customers*.

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. 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.

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. 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, 2023, and 2022, the Organization has \$3,554,682 and \$3,209,192, 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 \$1,423,000.

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, 2023 and 2022, there were no interest or penalties recorded or included in the financial statements. Returns filed for tax years ended on or after June 30, 2020, 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.

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

(3) Fixed assets

As of June 30, 2023 and 2022, fixed assets are comprised of the following:

	<u>2023</u>	<u>2022</u>
Computers and equipment	\$ 64,743	\$ 54,582
Less: accumulated depreciation	<u>42,266</u>	<u>33,979</u>
	<u>\$ 22,477</u>	<u>\$ 20,603</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$8,287 and \$6,312, respectively.

(4) Program income

Program income was distributed among the following program categories for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Business Engagement	\$ 1,771,942	\$ 1,451,797
Financial Institutions	271,931	338,454
Standards	<u>105,735</u>	<u>288,505</u>
	<u>\$ 2,149,608</u>	<u>\$ 2,078,756</u>

(5) Government grants

Government grant revenue for the years ended June 30, 2023 and 2022 is comprised of the following:

	<u>2023</u>	<u>2022</u>
Netherlands Ministry of Foreign Affairs	\$ 212,849	\$ 175,000
US Small Business Administration	-	173,965
Swedish International Development Cooperation Agency	<u>233,941</u>	<u>9,000</u>
	<u>\$ 446,790</u>	<u>\$ 357,965</u>

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

(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. The Organization used the proceeds for purposes consistent with the PPP and believes its use of the funds met the conditions for forgiveness of the loan. The Organization believes all conditions and barriers were met during the fiscal year ending June 30, 2022, as full forgiveness of the funds was received on July 14, 2021. Accordingly, the PPP funds have been reflected within government grants in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

(7) Concentrations of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2022 and 2021, cash in excess of fully insured limits was \$2,483,026 and \$2,058,884, respectively. 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, 2023 and 2022, there has not been any cases of return of funds.

(9) Subsequent events

The Organization has evaluated subsequent events through February 1, 2024, which is the date these financial statements were available to be issued, noting no matters which require disclosure in the financial statements.