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**RESOLVE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2021**

**MATTHEWS, CARTER & BOYCE**  
RESPECT. CONFIDENCE. TRUST.

# RESOLVE, INC. AND SUBSIDIARIES

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MATTHEWS, CARTER & BOYCE  
CPAs • ADVISORS

## Independent Auditors' Report

Board of Directors  
RESOLVE, Inc.  
Washington, DC

We have audited the accompanying consolidated financial statements of RESOLVE, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RESOLVE, Inc. and Subsidiaries as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Matthews, Carter and Boyd". The signature is written in black ink on a light-colored background.

Fairfax, Virginia  
June 13, 2022

**RESOLVE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,717,753
Contract receivables, net	548,077
Investments	1,570,286
Inventory	89,278
Other receivables	9,047
Prepaid expenses	<u>152,625</u>

Total Current Assets \$ 4,087,066

**OTHER ASSETS**

Property and equipment, net	30,601
Intellectual property WildTech	<u>166,667</u>

**TOTAL ASSETS** \$ 4,284,334

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 387,181
Accrued payroll and related liabilities	239,872
Due to related party	245,352
Paycheck Protection Program loan	324,450
Deposit Refundable	126,250
Deferred rent, current portion	<u>69,610</u>

Total Current Liabilities \$ 1,392,715

**OTHER LIABILITIES**

Convertible promissory note payable	<u>200,000</u>
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Total Liabilities \$ 1,592,715

**NET ASSETS**

Without donor restrictions	\$ 424,060
With donor restrictions	<u>2,542,100</u>

Total Net Assets \$ 2,966,160

**NONCONTROLLING INTEREST IN  
CONSOLIDATED SUBSIDIARY**

\$ (274,541)

**TOTAL LIABILITIES AND NET ASSETS** \$ 4,284,334

See accompanying notes and independent auditors' report.

**RESOLVE, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 604,628	\$ 2,467,078	\$ 3,071,706
Contract service fees	2,179,935	-	2,179,935
Sublease income	59,052	-	59,052
Other income	161,984	-	161,984
Investment income	126,988	-	126,988
Forgiveness of Paycheck Protection Program loans	264,100	-	264,100
Net assets released from restrictions	2,862,841	(2,862,841)	-
	<u>\$ 6,259,528</u>	<u>\$ (395,763)</u>	<u>\$ 5,863,765</u>
<b>EXPENSES</b>			
Program services:			
Direct program	\$ 5,098,380	\$ -	\$ 5,098,380
Program support	1,380,255	-	1,380,255
	<u>\$ 6,478,635</u>	<u>\$ -</u>	<u>\$ 6,478,635</u>
Supporting services:			
Management and general	\$ 624,509	\$ -	\$ 624,509
Fundraising	44,762	-	44,762
	<u>\$ 669,271</u>	<u>\$ -</u>	<u>\$ 669,271</u>
<b>TOTAL EXPENSES</b>	<u>\$ 7,147,906</u>	<u>\$ -</u>	<u>\$ 7,147,906</u>
<b>DECREASE IN NET ASSETS BEFORE NONCONTROLLING INTEREST</b>	\$ (888,378)	\$ (395,763)	\$ (1,284,141)
<b>ALLOCATION OF NONCONTROLLING INTEREST IN SUBSIDIARY NET LOSS</b>	<u>145,190</u>	<u>-</u>	<u>145,190</u>
<b>CHANGE IN NET ASSETS</b>	\$ (743,188)	\$ (395,763)	\$ (1,138,951)
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	<u>1,167,248</u>	<u>2,937,863</u>	<u>4,105,111</u>
<b>NET ASSETS, END OF THE YEAR</b>	<u>\$ 424,060</u>	<u>\$ 2,542,100</u>	<u>\$ 2,966,160</u>

See accompanying notes and independent auditors' report.

**RESOLVE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (1,138,951)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Allocation of noncontrolling interest in subsidiary net loss	\$ (145,190)
Depreciation and amortization	82,951
Deferred rent	(162,016)
Realized and unrealized gains on investments	(124,143)
Forgiveness of Paycheck Protection Program loans	(264,100)
Donated investments	(66,278)
Changes in operating assets and liabilities:	
Contract receivables	277,619
Prepaid expenses	(138,453)
Other receivables	(731)
Inventory	(31,613)
Accounts payable and accrued expenses	(153,868)
Accrued payroll and related liabilities	(123,297)
Due to related parties	212,019
Deposit refundable	126,250
Total Adjustments	<u>\$ (510,850)</u>
Net Cash Used by Operating Activities	<u>\$ (1,649,801)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	\$ (1,862,365)
Proceeds from sales and maturities of investments	2,232,641
Capital contribution - noncontrolling interest	<u>100,000</u>
Net Cash Provided by Investing Activities	<u>\$ 470,276</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from convertible note payable	\$ 100,000
Proceeds from Paycheck Protection Program loan	<u>324,450</u>
Net Cash Provided by Financing Activities	<u>\$ 424,450</u>

**NET CHANGE IN CASH**

\$ (755,075)

**CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR**

2,472,828

**CASH AND CASH EQUIVALENTS, END OF THE YEAR**

\$ 1,717,753

Income taxes paid	\$ 4,929
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**SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES**

**NON-CASH INVESTING ACTIVITIES**

Donated investment	\$ 66,278
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**NON-CASH FINANCING ACTIVITIES**

Paycheck Protection Program loan forgiveness	\$ 264,100
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See accompanying notes and independent auditors' report.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 1. Organization and Summary of Significant Accounting Policies

#### Organization

The accompanying consolidated financial statements include the accounts of RESOLVE, Inc. (RESOLVE), Resolve Group Incorporated (RGI), impact@RESOLVE, Inc. (impact), and WildTech@RESOLVE, LLC (WildTech).

RESOLVE forges sustainable solutions to critical social, health, and environmental challenges by creating innovative partnerships where they are least likely and most needed. We envision a less polarized world with a shared commitment to transforming ambitious ideas into real benefits for people, communities, and ecosystems.

RESOLVE pioneered the use of dispute resolution and consensus building 40 years ago as a means of developing effective solutions to complex natural resource conflicts and policy issues. Today, we bring our process expertise to technically and politically complex, high-profile initiatives. We provide expert dispute resolution and related services; work with our partners to design and carry out solutions-focused programs and pilots; and develop, incubate, and support mission-related impact enterprises.

Our track record of solutions includes the no net loss of wetlands policy, implementing food safety provisions, greater health care access, responsible minerals sourced from conflict affected regions, best practices for siting wind energy, safer drinking water rules, new technologies to promote human-wildlife coexistence, and agreements that support restoration of the Missouri River watershed.

RGI is a wholly-owned, for-profit subsidiary of RESOLVE, Inc. and was incorporated in February 1996 under the laws of the District of Columbia. RGI provides dispute resolution services and internal organizational development for contracts that would not qualify under RESOLVE, Inc.'s tax-exempt purpose. RGI did not have any activity during the year ended June 30, 2021.

impact is a wholly-owned, for-profit subsidiary of RESOLVE, and was incorporated in September 2017 under the laws of the State of Delaware. impact is set up as a platform to assist clients in planning, organizing, financing, holding, operating, and governing their impact enterprises.

WildTech is an approximately sixty percent owned, for-profit subsidiary of impact and was incorporated in February 2018 under the laws of the State of Delaware. WildTech is an impact enterprise focused on developing durable, high technology devices.

The significant accounting policies followed by RESOLVE, RGI, impact and WildTech are described below.

#### Principles of Consolidation

The consolidated financial statements include the accounts of RESOLVE and its wholly-owned subsidiaries RGI, impact, and WildTech which is owned 60% by impact (collectively referred to as the Organization). All significant intercompany balances and transactions have been eliminated in consolidation.



# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

#### Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates.

#### Operating Cycle

The Organization's operating cycle for long-term contracts may be greater than one year and is measured by the average time intervening between the inception and the completion of those contracts. Contract-related assets and liabilities are classified as current assets and current liabilities.

#### Basis of Presentation

The Organization accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under the requirements of FASB ASC 958, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Governors.

**Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions at June 30, 2021 pertain to contributions and grants that are anticipated to be used within the next year.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the support is received, the Organization reports the support as net assets without donor restrictions.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition

The Organization adopted ASC 606 in the year ended June 30, 2020. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered or goods delivered, the contract price is fixed or determinable, and collectability is reasonably assured. Revenue associated with work performed prior to the completion and signing of contract documents is recognized only when it can be reliably estimated and realization is probable. The Organization bases its estimates on previous experiences with the customer, communications with the customer regarding funding status, and its knowledge of available funding for the contract.

Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus a proportionate amount of the fee earned. The Organization considers fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract. The Organization considers performance-based fees, including award fees, under any contract type to be earned when it can demonstrate satisfaction of performance goals, based upon historical experience, or when the Organization receives contractual notification from the customer that the fee has been earned. Revenue on time-and-materials contracts is recognized based on the hours incurred at the negotiated contract billing rates, plus the cost of any allowable material costs and out-of-pocket expenses.

Revenue on fixed-price contracts where the Organization performs systems design, development and integration is recognized using the percentage-of-completion method of contract accounting. Unless it is determined as part of the Organization's regular contract performance review that overall progress on a contract is not consistent with costs expended to date, the Organization determines the percentage completed based on the percentage of costs incurred to date in relation to total estimated costs expected upon completion of the contract. Revenue on fixed-price service contracts is generally recognized on a straight-line basis over the contractual service period, unless the revenue is earned, or obligations fulfilled, in a different manner.

Contract revenue recognition involves estimation. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue, and are recognized in the period in which such revisions are determined.

Federal government contract costs, including indirect costs, are subject to audit and adjustment by applicable cognizant audit agencies. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement.

The aggregate rent receipts due over the life of the lease are recognized as sublease rental income on a straight-line basis over the non-cancelable term of the lease.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Concluded)

The recording of contributions and grants is outside the scope of ASC606.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The accounting for contributions has been modified to clarify distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the ASU clarifies when each party directly receives commensurate value in the transaction, and how to deal with third party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement.

The Organization receives grant funding from federal agencies. Revenue is recognized only to the extent of expenditures under the terms of the grants. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. Excess expenses incurred are borne by the Organization.

Grants and contributions with and without donor restrictions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as support released from restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions, including unconditional promises to give, are recognized in the period received or pledged. Contributions received are considered unrestricted unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as support with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions.

Conditional contributions are recognized as revenue when the conditions on which they depend are substantially met. The Organization had \$125,000 of conditional contributions as of June 30, 2021.

The Organization recognizes contribution revenue for certain contributed goods and services received. Donated goods are recorded as in-kind contributions at their estimated fair value at the date of donation. Contributed services are recorded at the fair value of those services, based upon the requirement of FASB ASC 958. In-kind contributions received was \$66,278 during the year ended June 30, 2021.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 1. **Organization and Summary of Significant Accounting Policies (Continued)**

#### **Program Services Expense**

Program services expense includes all direct contract costs, as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Program services expense also includes costs and expenses that are unallowable under applicable procurement standards and are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue, but are necessary for business operations.

#### **Cash Equivalents**

The Organization considers all highly-liquid instruments with maturities, at purchase, of three months or less to be cash equivalents.

#### **Investments**

The Organization records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Unrealized gains and losses are included in the changes in net assets without donor restrictions in the accompanying consolidated statement of activities and changes in net assets.

#### **Contract Receivables**

Contract receivables are generated from prime and subcontracting arrangements with federal governmental agencies and various commercial entities. Billed amounts represent invoices that have been prepared and sent to the customer. Unbilled amounts represent costs and anticipated profits not yet billed. Management determines the allowance for doubtful accounts by regularly evaluating individual customer/grantor receivables and considering a customer's/grantor's financial condition, credit history, and current economic conditions. An allowance for doubtful accounts of \$13,661 has been established as of June 30, 2021. Billed contract receivables are considered past due if the invoice has been outstanding more than 30 days. The Organization does not charge interest on billed contract receivables.

#### **Inventory**

Inventory is valued at the lower of cost (first in, first out) or market.

#### **Property and Equipment**

Property and equipment is stated at cost. Expenditures for additions and improvements that are greater than \$1,000 are capitalized and other minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets of three to seven years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the estimated useful lives of the underlying assets or the term of the related lease.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 1. Organization and Summary of Significant Accounting Policies (Concluded)

#### Income Taxes

RESOLVE is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from the District of Columbia franchise tax under applicable tax regulations, except for income from activities not related to its tax-exempt purpose. RESOLVE is a non-private foundation pursuant to Section 509(a)(1) of the IRC.

RGI and impact are wholly-owned for-profit corporate subsidiaries of RESOLVE. WildTech is a limited liability company which is owned 57.69% by impact. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Organization is subject to income taxes in U.S. federal jurisdictions and various state jurisdictions. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. The Organization adopted the Financial Accounting Standards Board FASB ASC 740-10, *Income Taxes*, which requires an assessment of uncertainty in income taxes and certain financial statement disclosures relating to unrecognized tax benefits. For the year ended June 30, 2021, the Organization has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

#### Valuation of Long-Lived Assets

Intellectual property consists of \$166,667. The Organization reviews the valuation of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No indicator of impairment was identified as of June 30, 2021.

#### Fair Value of Financial Instruments

The carrying amounts of the Organization's cash and cash equivalents, investments, contract receivables, accounts payable and accrued expenses, and accrued payroll and related liabilities approximate their fair value due to the relatively short maturity of these items.

#### Concentrations of Credit Risk

The Organization's assets that are exposed to credit risk consist primarily of cash and cash equivalents and contract receivables. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has not to date experienced any losses related to these balances. Contract receivables consist primarily of amounts due from various agencies of the federal government or prime contractors doing business with the federal government. Historically, the Organization has not experienced significant losses related to contract receivables and, therefore, believes that the credit risk related to contract receivables is minimal.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 2. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in short-term investments.

Financial assets available for general operating expenditures within one year of the statement of financial position date, are comprised of the following:

Cash and cash equivalents	\$ 1,717,753
Contact and grant receivables, net	548,077
Other receivables	9,047
Investment excluding loan management account credit	<u>1,072,208</u>
	\$ 3,347,085
Net assets with donor restrictions	<u>(2,542,100)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 804,985</u>

During the normal course of operations in the year ending June 30, 2022, the Organization will receive grant and contract revenue which will be available to spend on general expenditures.

### Note 3. Investment Income

Investment income is comprised of the following for the year ended June 30, 2021:

Interest and dividend income	\$ 9,520
Net realized gain on investments	213,381
Net unrealized loss on investments	(89,238)
Investment fee	<u>(6,675)</u>
Total	<u>\$ 126,988</u>

### Note 4. Contract Receivables

Contract receivables consist of the following on June 30, 2021:

Billed receivables	\$ 552,509
Unbilled receivables	<u>9,229</u>
Subtotal	\$ 561,738
Less: allowance for doubtful accounts	<u>(13,661)</u>
Total	<u>\$ 548,077</u>

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 4. Contract Receivables (Concluded)

Unbilled receivables on June 30, 2021 consist primarily of amounts billed subsequent to year-end or awaiting milestones to bill. Consequently, the timing of collection of such balances is outside the Organization's control. Based on the Organization's historical experience, the majority of indirect rate variances and retention balances are expected to be collected beyond one year from the consolidated statement of financial position date. Contract receivables of \$827,355 as of June 30, 2020 were collected in the current fiscal year.

### Note 5. Property and Equipment

Property and equipment consists of the following on June 30, 2021:

Leasehold improvements	\$	668,104
Furniture and fixtures		76,739
Computer and other equipment		71,198
Software		<u>75,514</u>
Total	\$	891,555
Less: accumulated depreciation and amortization		<u>(860,954)</u>
Net	\$	<u>30,601</u>

Depreciation and amortization expense on property and equipment aggregated \$82,951 for the year ended June 30, 2021.

### Note 6. Bank Letter of Credit and Loan Management Account

The Organization has a letter-of-credit in the amount of \$235,296 that funds the security deposit required under the Organization's headquarters lease. The letter-of-credit amount is reduced by \$39,216 on June 1 of each new lease year until the balance is \$39,216. The letter-of-credit automatically renews each year through May 31, 2022. As of June 30, 2021, the letter-of-credit amount was \$39,216.

The Organization has a loan management account that provides credit to fund the general operations of the Organization. Amounts drawn on the loan management account accrue interest at a variable rate (LIBOR plus a stated spread) and are secured by various investment accounts with the financial institution. The available credit at any given time is the lesser of the loan value of the pledged collateral or other limit as determined by the bank, less outstanding loan balances, accrued finance charges, and any outstanding letters of credit. Investment accounts pledged under this loan management account were \$1,570,295 as of June 30, 2021. The available credit as of June 30, 2021 was \$498,087. There was no outstanding balance on this loan account as of June 30, 2021.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 7. Fair Value Measurements

Certain assets and liabilities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset with the price that maximizes the amount that would be received. Fair value is based on assumptions market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

Fair value measurement standards also require the Organization to classify these financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules.

The Organization's assets recorded at fair value are categorized based on the priority of the inputs used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** – Inputs that are based upon quoted prices for identical instruments traded in active markets.
- **Level 2** – Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.
- **Level 3** – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Organization uses to measure its financial assets at fair value.

Investments consist of marketable securities, certificates of deposit and mutual funds. In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. The certificates of deposit and government securities are valued based upon observable market inputs for similar securities, including valuation models based upon prices paid for similar assets with similar yields from issuers with similar credit ratings and are included as level 2 assets.



# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**JUNE 30, 2021**

### Note 7. Fair Value Measurements (Concluded)

#### Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

<u>Description</u>	As of June 30, 2021			
	Assets Measured At Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Government securities	\$ 18	\$ -	\$ 18	\$ -
Equities	289,972	289,972	-	-
Cash	8,348	8,348		
Certificates of deposit	1,075,700	-	1,075,700	-
Mutual funds/CEF/UIT	196,248	196,248	-	-
Total	<u>\$ 1,570,286</u>	<u>\$ 494,568</u>	<u>\$ 1,075,718</u>	<u>\$ -</u>

### Note 8. 403(b) Profit Sharing Plan

The Organization maintains a defined contribution plan qualified under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, the Organization contributes 6% of each eligible employee's annual base salary and matches 100% of eligible employee contributions up to 3% of each employee's annual base salary. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code as provided in the plan document. Employees with at least one year of service are eligible to receive matching contributions and/or non-matching contributions as provided in the plan document. Pension expense was \$137,032 for the year ended June 30, 2021.

### Note 9. Convertible Promissory Note

WildTech received a total of \$200,000 from the Weeden Foundation (Foundation) in the form of a convertible promissory note in March 2019 and June 2020, \$100,000 in each period. The note payable bears interest at a rate of 1%, compounded annually. The repayment date will be 36 months after the receipt of the note payable principal. There are repayment provisions based upon the financial position of WildTech. These provisions include the Foundation having the option to convert the note payable and accrued interest to WildTech equity units at the time of the note maturity, at a rate of one unit per \$50,000 of the principal and accrued interest outstanding, delaying the payment date, or otherwise modifying the note. During the year ended June 30, 2021, the Organization recognized interest expense on the note payable in the amount of \$2,000. Total accrued interest outstanding on this convertible note payable is \$3,250 and is included in accounts payable and accrued expenses on the consolidated statement of financial position.

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 10. Paycheck Protection Program Loan

During May 2020, the Organization obtained a Paycheck Protection Program loan (PPP loan) totaling \$264,100. The interest rate for this loan was 1%. The Organization applied for forgiveness and had this loan forgiven in January 2021. This loan is considered fully extinguished upon forgiveness and is recorded as Forgiveness of PPP loans in the Statement of Activities and Change in Net Assets. The Organization obtained a second PPP loan totaling \$324,450 in February 2021. The interest rate for this loan is 1%. Subsequent to June 30, 2021, the Organization also applied for forgiveness and had this loan forgiven in March 2022.

### Note 11. Operating Leases, Deferred Rent and Deferred Lease Incentive

The Organization leases office space under the terms of a non-cancelable operating lease that expires on June 30, 2022. Under terms of the lease, the landlord provided the Organization with an improvement allowance (the allowance) not to exceed \$736,360 to be used for the Organization's costs of designing and constructing tenant improvements. As of June 30, 2021, the Organization had incurred the entire \$736,360 of tenant improvements which qualify for the improvement allowance. This amount is recorded as leasehold improvements, furniture and fixtures, computer and other equipment, and deferred lease incentive in the statement of financial position. The leasehold improvements will be amortized over the life of the lease on a straight-line basis, the remaining assets will be depreciated over useful lives of the assets on a straight-line basis. The deferred lease incentive will be amortized against rent expense over the life of the lease on a straight-line basis. For the year ended June 30, 2021, \$162,017 has been recorded as amortization of the deferred rent to reduce rent expense. The lease agreement provides for an annual 3% escalation of the base rent. The Organization is also responsible for certain operating expenses.

The Organization recognizes the total cost of its office leases ratably over the respective lease periods. The difference between rent paid and rent expense is reflected as deferred rent in the accompanying consolidated statement of financial position.

The following is a schedule by year of the future minimum lease payments required under operating lease which have initial or remaining terms in excess of one year as of June 30, 2021:

Years Ending June 30,	
2022	\$ <u>199,000</u>

Rent expense aggregated \$492,345 for the year ended June 30, 2021.

The Organization sub-leases office space to various tenants. The leases expire on various dates through 2022. Rental income received related to these leases was \$59,052 for the year ended June 30, 2021. The following is a schedule by years of future minimum rent due:

Years Ending June 30,	
2022	\$ <u>22,445</u>

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 12. Investment in WildTech

	<u>Impact</u>	<u>Non-controlling</u>	<u>Total</u>
Beginning partners' capital	\$ (482,370)	\$ (229,351)	\$ (711,721)
Capital contributed	-	100,000	100,000
Net loss	<u>(197,967)</u>	<u>(145,190)</u>	<u>(343,157)</u>
Ending partners' capital	<u>\$ (680,967)</u>	<u>\$ (274,541)</u>	<u>\$ (954,878)</u>

During June 2019, WildTech entered into a Memorandum of Understanding (MOU) with a non-related Foundation. The MOU contains provisions whereby the Foundation makes three \$100,000 investments over three years beginning the year ended June 30, 2020. Each of these three \$100,000 investments is for two newly issued WildTech equity units. There are certain milestones in the MOU that must be achieved by WildTech for the subsequent investments to occur. The Foundation also receives rights to subscribe for its pro-rata share of any future issuance of WildTech equity units. During the year ended June 30, 2020, the first \$100,000 investment was made in exchange for two newly issued WildTech equity units. The second \$100,000 investment was made in December 2020 in exchange for two additional newly issued WildTech equity units.

### Note 13. Contingencies/Commitments

#### Contingency

In March 2020, a pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. Future events, revenues and expenses of the Organization are uncertain due to the highly contagious nature of the virus, the requirement for social distancing, limited gatherings and restrictions on travel. Therefore, the Organization cannot predict at this time the amount and likelihood of any loss relating to these events.

#### Commitments/Related Parties

In February 2021 impact@RESOLVE entered into a Memorandum of Understanding (MOU) with four unrelated individuals. Under terms of the MOU, an impact enterprise company will be established as a limited liability company (LLC). The LLC will issue 10,000 investor units and investors will advance \$300,000 to the LLC in the form of a three year note payable to be paid to the LLC in three advances. The first advance of \$75,000 was received by impact during the year ended June 30, 2021. The LLC has not yet been established. Therefore, the amount received has been treated as due to related entity. The due to related entity amount of \$75,000 has been reduced by related expenses in the amount of \$62,981. The net amount of \$12,019 is included in due to related entity at June 30, 2021.

In March 2019 WildTech entered into an agreement with one of its founding members (a non-controlling interest detailed in Note 12) to pay \$100,000 each year for engineering work performed by the founding member. The amount owed to this founding member is \$233,333 as of June 30, 2021 and is included in due to related entity.

**RESOLVE, INC. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**Note 14. Operating Expenses by Natural Classification**

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis below. Program service costs have been described in Note 1. Other allocable costs have been allocated among the program and supporting services based upon management's best estimates.

The following is a summary of operating expenses by natural classification for the year ended June 30:

	2021					Total
	Direct Program	Program Support	Total Program Services	Management and General	Fundraising	
Personnel	\$ 998,344	\$ 552,262	\$ 1,550,606	\$ 97,285	\$ 30,659	\$ 1,678,550
Employee benefits/ payroll taxes	436,745	184,692	621,437	29,001	14,103	664,541
Bank fees	8,277	90	8,367	7,071	-	15,438
Consultants	2,356,698	9,061	2,365,759	108,317	-	2,474,076
Cost of goods sold	24,182	-	24,182	-	-	24,182
Depreciation & amortization	-	65,155	65,155	17,796	-	82,951
Education & training	5,955	2,456	8,411	1,236	-	9,647
Financial reporting/ systems	1,500	-	1,500	17,784	-	19,284
Grant & program support	677,914	-	677,914	-	-	677,914
Insurance	-	-	-	22,714	-	22,714
IT Equipment/ supplies	17,174	-	17,174	-	-	17,174
Miscellaneous	23,220	4,156	27,376	11,301	-	38,677
Office operations	463,022	15,301	478,323	24,387	-	502,710
Occupancy	500	380,664	381,164	132,567	-	513,731
Professional fees	38,587	135,862	174,449	141,350	-	315,799
Stipends	3,900	-	3,900	4,500	-	8,400
Telecommunications	37,985	30,403	68,388	8,731	-	77,119
Travel	4,377	153	4,530	469	-	4,999
<b>Total Expenses</b>	<b><u>\$5,098,380</u></b>	<b><u>\$ 1,380,255</u></b>	<b><u>\$ 6,478,635</u></b>	<b><u>\$ 624,509</u></b>	<b><u>\$ 44,762</u></b>	<b><u>\$ 7,147,906</u></b>

**Note 15. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for use for the following purposes as of June 30, 2021:

Programs	\$ 2,418,469
Time	<u>123,631</u>
<b>Total</b>	<b><u>\$ 2,542,100</u></b>

# RESOLVE, INC. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 16. Subsequent Events

The Organization has evaluated events or transactions that occurred after June 30, 2021 through June 13, 2022, the date the financial statements were available to be issued and noted the following:

In August 2021 the Organization obtained an Economic Injury Disaster Loan (EIDL loan) totaling \$499,900. The interest rate for this loan is 2.75% and is due in full at maturity in 2051. The repayment date will begin 24 months after the receipt of the loan.

In November 2021 the Organization entered into a Memorandum of Understanding with an unrelated third party. This third party will make an equity investment of \$2,000,000 in "Regeneration", a start-up that will use the re-mining and processing of waste from legacy mine sites to support rehabilitation activities and restore natural environments.

The Organization entered into a lease agreement for new office space under a non-cancelable operating lease in February 2022. The lease has a term of twelve years, effective February 2022. The lease includes an annual escalation clause, and the Organization is responsible for its proportionate share of the operating expenses. The lease includes rent abatement of 2 years' rent and there is a tenant improvement allowance of \$217,000. The Organization will recognize the benefit of the rental abatement and tenant improvement allowance on a straight-line basis over the lease term.

As noted in Note 10, the Organization's second Paycheck Protection Program of \$324,450 was forgiven in March 2022.

Management of the Organization is not aware of any other subsequent events or transactions that would require adjustment to or disclosure in the financial statements.