

**NEST, INC.**

**Financial Statements  
December 31, 2014 and 2013**

The report accompanying these financial statements was issued by Spire Group, PC, a New Jersey Professional Corporation.

**NEST, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Nest, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Nest, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

### Auditors' 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 audits 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 auditors' 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.

### **Basis for Qualified Opinion**

As more fully described in Note 5 to the financial statements, the Organization has chosen to recognize revenue from the Svenska PostkodLotteriets Kulturstiftelse grant on a cash basis. The Organization recognized as revenue only the cash received in 2014 and recorded the remaining receivable balance as unearned revenue. Accounting principles generally accepted in the United States of America (GAAP) require grant revenue to be recognized in the year in which the grant is awarded, not when the cash is received. Because of this departure from GAAP, liabilities are overstated by \$522,117, and net assets and revenues are understated by \$522,117.

As more fully described in Note 5 to the financial statements, the Organization has chosen to recognize revenue from three additional grants on a cash basis. The Organization recognized only the cash received in 2014. No receivable or revenue was recorded to recognize the cash to be received in subsequent periods. Accounting principles general accepted in the United States of America (GAAP) require grant revenue to be recognized in the year in which the grant is awarded, not when the cash is received. Because of this departure from GAAP, assets, net assets, and revenues are understated by \$600,000.

### **Qualified Opinion**

In our opinion, except for the recognition of grant revenue and promises to give on a cash basis as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Nest, Inc. as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Spire Group, PC*

Clark, New Jersey  
September 9, 2015

NEST, INC.

**Statements of Financial Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash	\$ 1,413,881	\$ 936,644
Accounts receivable	1,095	5,588
Grant receivable	522,117	-
Inventory asset	2,160	438
Current portion of loan receivable	5,584	1,020
Prepaid expenses	887	1,342
<b>Total Current Assets</b>	<u>1,945,724</u>	<u>945,032</u>
<b>Non-Current Assets</b>		
Fixed assets		
Computers	5,016	5,016
Office equipment	10,753	6,507
Less: accumulated depreciation	<u>(3,843)</u>	<u>(2,246)</u>
Net Fixed Assets	11,926	9,277
Security deposits	16,860	-
Long-term portion of loan receivable	<u>7,728</u>	<u>3,147</u>
<b>Total Non-Current Assets</b>	<u>36,514</u>	<u>12,424</u>
<b>Total Assets</b>	<u>\$ 1,982,238</u>	<u>\$ 957,456</u>
<b>Liabilities</b>		
Accounts payable	\$ 17,255	\$ 12,642
Unearned revenue	<u>522,117</u>	<u>-</u>
<b>Total Liabilities</b>	<u>539,372</u>	<u>12,642</u>
<b>Net Assets</b>		
Unrestricted	733,227	520,809
Temporarily restricted	<u>709,639</u>	<u>424,005</u>
<b>Total Net Assets</b>	<u>1,442,866</u>	<u>944,814</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,982,238</u>	<u>\$ 957,456</u>

See accompanying notes.

NEST, INC.

Statements of Activities  
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>						
Product sales	\$ 15,155	\$ -	\$ 15,155	\$ 3,276	\$ -	\$ 3,276
Less: cost of sales	(16,307)	-	(16,307)	(1,908)	-	(1,908)
Net sales	(1,152)	-	(1,152)	1,368	-	1,368
Contributions	536,344	533,110	1,069,454	642,775	107,500	750,275
Grant revenue	-	1,002,117	1,002,117	-	912,969	912,969
In-kind revenue	142,368	-	142,368	70,588	-	70,588
Other income	5,737	-	5,737	1	-	1
Net assets released from restrictions	1,249,593	(1,249,593)	-	968,405	(968,405)	-
<b>Total Revenue and Support</b>	<b>1,932,890</b>	<b>285,634</b>	<b>2,218,524</b>	<b>1,683,137</b>	<b>52,064</b>	<b>1,735,201</b>
<b>Expenses</b>						
Program services	1,420,127	-	1,420,127	1,033,340	-	1,033,340
Fundraising	156,034	-	156,034	109,039	-	109,039
Management and general	144,311	-	144,311	74,091	-	74,091
<b>Total Expenses</b>	<b>1,720,472</b>	<b>-</b>	<b>1,720,472</b>	<b>1,216,470</b>	<b>-</b>	<b>1,216,470</b>
<b>Change in Net Assets</b>	<b>212,418</b>	<b>285,634</b>	<b>498,052</b>	<b>466,667</b>	<b>52,064</b>	<b>518,731</b>
<b>Net Assets - Beginning of Years</b>	<b>520,809</b>	<b>424,005</b>	<b>944,814</b>	<b>54,142</b>	<b>371,941</b>	<b>426,083</b>
<b>Net Assets - End of Years</b>	<b>\$ 733,227</b>	<b>\$ 709,639</b>	<b>\$ 1,442,866</b>	<b>\$ 520,809</b>	<b>\$ 424,005</b>	<b>\$ 944,814</b>

See accompanying notes.

NEST, INC.

**Statements of Cash Flow**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assests	\$ 498,052	\$ 518,731
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,831	1,333
Loss on disposal of fixed assets	3,794	-
Inventory write off	-	405
(Increase) decrease in operating assets:		
Accounts receivable	4,493	(6,018)
Grant receivable	(522,117)	922,878
Prepaid expenses	455	(439)
Current portion of loan receivable	(120)	1,250
Security deposit paid	(16,860)	-
Inventory	(1,722)	(438)
Increase (decrease) in operating liabilities:		
Accounts payable	4,614	6,448
Unearned revenue	522,117	(922,878)
<b>Net Cash Provided by Operating Activities</b>	<u>494,537</u>	<u>521,272</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets	(8,275)	(6,957)
Loan receivable - long-term	(9,025)	3,750
<b>Net Cash (Used) by Investing Activities</b>	<u>(17,300)</u>	<u>(3,207)</u>
<b>Change in Cash and Cash Equivalents</b>	477,237	518,065
<b>Cash and Cash Equivalents - Beginning of Years</b>	<u>936,644</u>	<u>418,579</u>
<b>Cash and Cash Equivalents - End of Years</b>	<u>\$ 1,413,881</u>	<u>\$ 936,644</u>

See accompanying notes.

NEST, INC.

**Statements of Functional Expenses  
For the Years Ended December 31, 2014 and 2013**

	2014				2013			
	Program Services	Fund Raising	Management and General	Total Functional Expenses	Program Services	Fund Raising	Management and General	Total Functional Expenses
<b>Functional Expenses</b>								
Payroll and employee benefits	\$ 464,540	\$ 89,768	\$ 38,411	\$ 592,719	\$ 359,623	\$ 55,379	\$ 37,985	\$ 452,987
Payroll taxes	32,251	6,126	1,962	40,339	23,510	3,883	1,714	29,107
Contracted services	153,014	461	10,146	163,621	103,566	21,059	7,656	132,281
Site expenses	612,410	-	-	612,410	472,331	-	-	472,331
Marketing	9,268	9,068	-	18,336	2,571	4,492	-	7,063
Travel and entertainment	1,134	19,722	-	20,856	2,602	7,579	-	10,181
Office expense	5,665	745	84,919	91,329	8,941	160	15,005	24,106
Fundraising events	-	26,978	-	26,978	-	11,515	-	11,515
In-kind expenses	139,368	-	3,000	142,368	58,350	3,237	9,000	70,587
State filing fees	-	-	248	248	-	-	993	993
Service charges	2,477	3,166	-	5,643	1,846	1,735	-	3,581
Inventory write-off	-	-	-	-	-	-	405	405
Loss on disposal of fixed assets	-	-	3,794	3,794	-	-	-	-
Depreciation	-	-	1,831	1,831	-	-	1,333	1,333
<b>Total Functional Expenses</b>	<b>\$ 1,420,127</b>	<b>\$ 156,034</b>	<b>\$ 144,311</b>	<b>\$ 1,720,472</b>	<b>\$ 1,033,340</b>	<b>\$ 109,039</b>	<b>\$ 74,091</b>	<b>\$ 1,216,470</b>

See accompanying notes.

**Notes to Financial Statements  
December 31, 2014 and 2013**

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**Note 1 - Description of Organization**

**Nature of Activities**

Nest, Inc. (the "Organization") identifies and collaborates with responsible artisan businesses through the provision of customized capacity building programs to enable each enterprise to become profitable and have a significant positive social impact. The Organization has searched globally to identify a network of existing artisanal workshops that have strong leadership, are scalable, and can transform their communities in one of three ways: alleviate poverty, empower women, and promote peace. Through their participatory model, the Organization works with the artisans to provide the services they need to both preserve and enhance artistic traditions and increase their ability to meet the capacity and quality demands of the exporting marketplace.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

**Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and demand deposits and certain investments with maturities of three months or less when purchased. The Organization had no cash equivalents at December 31, 2014 and 2013.

**Revenue**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**Fixed Assets**

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Classification of Net Assets**

Unrestricted net assets represent the Organization's net assets that are available for its general operations.

Temporary restricted net assets have donor imposed restrictions that permit the Organization to use up or expend the donated assets as specified and the restriction is satisfied either by the passage of time or by actions of the Organization.

Permanently restricted net assets have donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Organization. There are no permanently restricted assets.

**Notes to Financial Statements  
December 31, 2014 and 2013**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Functional Expenses**

Expenses are charged directly to program, fundraising, or management and general based on specific identification.

**Income Tax Status**

Nest, Inc. is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in these financial statements.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2014.

**Note 3 - Concentration of Credit Risk**

At various times during the year, the Organization's cash in bank exceeded the federally insured limits. At December 31, 2014 and 2013, the Organization had an uninsured cash balance of \$1,296,230 and \$522,220, respectively.

**Note 4 - Donated Services and Use of Facilities**

The Organization receives the use of rental facilities for its operations. The Organization's use of these rental facilities was discontinued in April 2014. The value of the use of facilities for the year ended December 31, 2014 and 2013 was \$3,000 and \$9,000, respectively.

The Organization also relies on volunteers as an integral part of its program service operations. The value of these services for the years ended December 31, 2014 and 2013 was \$139,368 and \$58,975, respectively.

**Note 5 - Grant Awards**

**Svenska PostkodLotteriets Kulturstiftelse Grant**

In 2014, the Organization received an award from Svenska PostkodLotteriets Kulturstiftelse, a foundation based in Sweden, to support the expansion of the Organization's services and the broadening of its reach.

Per the terms of the project contribution agreement, the Organization received 4,540,000 SEK (Swedish Kronor) for the year ended December 31, 2014. The Organization received the remaining 4,400,000 SEK in 2015. The amount recorded as grant receivable as of December 31, 2014 was \$522,117. Because the receivable is susceptible to fluctuations in the exchange rate, the amount realized may differ materially from the amount recorded at year-end.

The Organization recognized the grant revenue on a cash basis. Unearned revenue, in the amount of \$522,117, was recorded to reflect the amount to be received in cash in the following year. The amount recognized as revenue for the years ended December 31, 2014 and 2013 was \$652,117 and \$912,969.

NEST, INC.

Notes to Financial Statements  
December 31, 2014 and 2013

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**Note 5 - Grant Awards (Continued)**

**Additional Grants**

In 2014, the Organization received grants from the Draper Richards Kaplan Foundation, the National Philanthropic Trust, and the Mortar Foundation of \$300,000, \$500,000, and \$150,000, respectively. The amount of these grants paid in 2014 totaled \$50,000, \$250,000, and \$50,000, respectively. The remaining balances of the grants are to be distributed over a number years, as stipulated in the respective agreements.

The Organization recognized the grant revenue on a cash basis. No receivable nor revenue was recognized relating to the funds to be received in subsequent periods. The amount recognized as revenue related to these grants for the years ended December 31, 2014 and 2013 totaled \$350,000 and \$0, respectively.

**Note 6 - Employee Pension Plan**

On April 25, 2012, the Organization adopted a simplified employee pension plan. An employee is eligible to participate in the plan if he/she has reached the age of twenty-one and has received compensation for the plan year of at least \$550. Employer contributions are based on a discretionary contribution formula. Contributions to the plan for the years ended December 31, 2014 and 2013 were \$50,377 and \$37,863, respectively.

**Note 7 – Commitments**

Effective June 1, 2014, the Organization entered into a non-cancelable, three year lease agreement to rent office space in New York, New York. Rent expense related to the lease of the office space included in the office expenses in the statement of functional expenses amounted to \$34,962 and \$-0- for the years ended December 31, 2014 and 2013, respectively. Minimum future lease payments for the remaining term are as follows:

<b>Years ending December 31,</b>	
2015	\$ 103,901
2016	106,811
2017	<u>45,016</u>
Total	\$ <u><u>255,728</u></u>

**Note 8 - Subsequent Events**

Subsequent events have been evaluated by management through September 9, 2015, which is the date the financials were available to be issued.