

NEST, INC.

**Financial Statements
December 31, 2015 and 2014**

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, 2015 and 2014, 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 6 to the financial statements, the Organization has chosen to recognize revenue from multiple grants on a cash basis. The Organization recognized as revenue only the cash received in 2015 and 2014. 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, assets were understated by \$304,591 and \$550,000, liabilities were overstated by \$-0- and \$522,117, net assets were understated by \$304,591 and \$1,072,117, and revenues and change in net assets were overstated by \$717,526 and understated by \$1,072,117 as of and for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014, 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
July 27, 2016

NEST, INC.

Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash	\$ 1,177,751	\$ 1,413,881
Accounts receivable	34,109	1,095
Grant receivable	145,868	522,117
Inventory asset	2,176	2,160
Current portion of loan receivable	5,557	5,584
Prepaid expenses	839	887
Total Current Assets	<u>1,366,300</u>	<u>1,945,724</u>
Non-Current Assets		
Fixed assets		
Computers	5,016	5,016
Office equipment	10,753	10,753
Less: accumulated depreciation	<u>(6,088)</u>	<u>(3,843)</u>
Net Fixed Assets	9,681	11,926
Security deposits	16,860	16,860
Investment in Craftsperson Development PVT LTD	195,000	-
Construction in progress	11,247	-
Long-term portion of loan receivable	<u>3,377</u>	<u>7,728</u>
Total Non-Current Assets	<u>236,165</u>	<u>36,514</u>
Total Assets	<u>\$ 1,602,465</u>	<u>\$ 1,982,238</u>
Liabilities		
Accounts payable	\$ 33,891	\$ 17,255
Loan payable	11,000	-
Unearned revenue	-	522,117
Total Liabilities	<u>44,891</u>	<u>539,372</u>
Net Assets		
Unrestricted	1,082,612	733,227
Temporarily restricted	<u>474,962</u>	<u>709,639</u>
Total Net Assets	<u>1,557,574</u>	<u>1,442,866</u>
Total Liabilities and Net Assets	<u>\$ 1,602,465</u>	<u>\$ 1,982,238</u>

See accompanying notes.

NEST, INC.

Statements of Activities
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Product sales	\$ 5,760	\$ -	\$ 5,760	\$ 15,155	\$ -	\$ 15,155
Less: cost of sales	(2,977)	-	(2,977)	(16,307)	-	(16,307)
Net sales	2,783	-	2,783	(1,152)	-	(1,152)
Contributions	369,771	378,480	748,251	536,344	533,110	1,069,454
Trips	48,547	-	48,547	-	-	-
Fellowships	-	-	-	-	-	-
Grant revenue	-	667,985	667,985	-	1,002,117	1,002,117
In-kind revenue	343,810	-	343,810	142,368	-	142,368
Retail partnerships	77,372	-	77,372	3,594	-	3,594
Other income	39,858	-	39,858	2,143	-	2,143
Net assets released from restrictions	1,281,142	(1,281,142)	-	1,249,593	(1,249,593)	-
Total Revenue and Support	2,163,283	(234,677)	1,928,606	1,932,890	285,634	2,218,524
Expenses						
Program services	1,491,636	-	1,491,636	1,420,127	-	1,420,127
Fundraising	167,192	-	167,192	156,034	-	156,034
Management and general	155,070	-	155,070	144,311	-	144,311
Total Expenses	1,813,898	-	1,813,898	1,720,472	-	1,720,472
Change in Net Assets	349,385	(234,677)	114,708	212,418	285,634	498,052
Net Assets - Beginning of Years	733,227	709,639	1,442,866	520,809	424,005	944,814
Net Assets - End of Years	\$ 1,082,612	\$ 474,962	\$ 1,557,574	\$ 733,227	\$ 709,639	\$ 1,442,866

See accompanying notes.

NEST, INC.

Statements of Cash Flow
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assests	\$ 114,708	\$ 498,052
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,245	1,831
Loss on disposal of fixed assets	-	3,794
(Increase) decrease in operating assets:		
Accounts receivable	(33,014)	4,493
Grant receivable	376,249	(522,117)
Prepaid expenses	48	455
Current portion of loan receivable	27	(120)
Security deposit paid	-	(16,860)
Inventory	(16)	(1,722)
Increase (decrease) in operating liabilities:		
Accounts payable	16,636	4,614
Loan payable	11,000	-
Unearned revenue	(522,117)	522,117
Net Cash Provided by Operating Activities	<u>(34,234)</u>	<u>494,537</u>
Cash Flows from Investing Activities		
Purchases of fixed assets	-	(8,275)
Investment in Craftsperson Development PVT LTD	(195,000)	-
Construction in progress	(11,247)	-
Loan receivable - long-term	4,351	(9,025)
Net Cash (Used) by Investing Activities	<u>(201,896)</u>	<u>(17,300)</u>
Change in Cash and Cash Equivalents	(236,130)	477,237
Cash and Cash Equivalents - Beginning of Years	<u>1,413,881</u>	<u>936,644</u>
Cash and Cash Equivalents - End of Years	<u>\$ 1,177,751</u>	<u>\$ 1,413,881</u>

See accompanying notes.

NEST, INC.

**Statements of Functional Expenses
For the Years Ended December 31, 2015 and 2014**

	2015				2014			
	Program Services	Fund Raising	Management and General	Total Functional Expenses	Program Services	Fund Raising	Management and General	Total Functional Expenses
Functional Expenses								
Payroll and employee benefits	\$ 471,622	\$ 131,257	\$ 39,161	\$ 642,040	\$ 464,540	\$ 89,768	\$ 38,411	\$ 592,719
Payroll taxes	31,868	9,282	1,869	43,019	32,251	6,126	1,962	40,339
Contracted services	212,538	108	22,443	235,089	153,014	461	10,146	163,621
Site expenses	373,370	-	-	373,370	612,410	-	-	612,410
Marketing	1,613	11,285	-	12,898	9,268	9,068	-	18,336
Travel and entertainment	2,715	6,776	-	9,491	1,134	19,722	-	20,856
Office expense	52,035	286	88,746	141,067	5,665	745	84,919	91,329
Fundraising events	-	5,691	-	5,691	-	26,978	-	26,978
In-kind expenses	343,810	-	-	343,810	139,368	-	3,000	142,368
State filing fees	-	-	606	606	-	-	248	248
Service charges	2,065	2,507	-	4,572	2,477	3,166	-	5,643
Loss on disposal of fixed assets	-	-	-	-	-	-	3,794	3,794
Depreciation	-	-	2,245	2,245	-	-	1,831	1,831
Total Functional Expenses	\$ 1,491,636	\$ 167,192	\$ 155,070	\$ 1,813,898	\$ 1,420,127	\$ 156,034	\$ 144,311	\$ 1,720,472

See accompanying notes.

**Notes to Financial Statements
December 31, 2015 and 2014**

Note 1 - Nature of Business

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, 2015 and 2014.

Receivables

Accounts receivable are recorded at cost. Grants receivable approximate fair value. On a periodic basis, the Organization evaluates its receivables to determine if any portion is uncollectible. Based on historical experience, management deems no allowance for doubtful accounts to be necessary as of December 31, 2015 and 2014.

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.

Notes to Financial Statements
December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 2015. The Organization's exemption from federal income tax returns are no longer subject to examination by federal taxing authorities for years before 2012.

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, 2015 and 2014, the Organization had an uninsured cash balance of \$1,016,976 and \$1,296,230, respectively.

Note 4 – Accounts Receivable and Revenue Concentrations

At December 31, 2015 and 2014, two donors accounted for 88% of receivables and one donor accounted for 97% of receivables, respectively.

For the years ended December 31, 2015 and 2014, two donors accounted for 48% of total revenue and three donors accounted for 63% of total revenue, respectively.

Note 5 - 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, 2015 and 2014 was \$-0- and \$3,000, 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, 2015 and 2014 was \$343,810 and \$139,368, respectively.

Notes to Financial Statements
December 31, 2015 and 2014

Note 6 - 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, 2015 and 2014 was \$522,117 and \$652,117, respectively.

In 2015, the Organization received an award from Svenska PostkodLotteriets Kulturstiftelse 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 was awarded 2,550,000 SEK, to be paid in two installments. The first installment of 1,250,000 SEK was received in January 2016. The amount recorded as grant receivable as of December 31, 2015 and subsequently received was \$145,868. The second installment of 1,300,000 SEK was not received prior to the issuance of these financial statements. No revenue or receivable was recorded to recognize this installment in 2015. Based on exchange rates, the approximate value of the second installment was \$154,591 as of December 31, 2015. Because foreign currency is susceptible to fluctuations in the exchange rate, this amount may differ materially from the amount subsequently received.

The amount recognized as revenue for years ended December 31, 2015 and 2014 was \$145,868 and \$-0-, respectively.

As a result of these grants being recognized on the cash basis, assets were understated by \$154,591 and \$-0-, liabilities were overstated by \$-0- and \$522,117, net assets were understated by \$154,591 and \$522,117, and revenue and change in net assets were overstated by \$367,526 and understated by \$522,117 as of and for the years ended December 31, 2015 and 2014, respectively.

Additional Grants

In 2013, the Organization received a grant from the Mortar Foundation of \$150,000. The grant was receivable in three annual installments of \$50,000, which were received in 2013, 2014, and 2015.

In 2014, the Organization received grants from the Draper Richards Kaplan Foundation and the National Philanthropic Trust of \$300,000 and \$500,000 respectively. The amount of these grants paid in 2014 totaled \$50,000 and \$250,000 respectively. The amount of these grants paid in 2015 totaled \$100,000 and \$250,000, respectively. The remaining balances of the grants are to be distributed over a number of years, as stipulated in the respective agreements.

NEST, INC.

**Notes to Financial Statements
December 31, 2015 and 2014**

Notes 6 – Grant Awards (Continued)

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, 2015 and 2014 totaled \$400,000 and \$350,000, respectively. As a result of these grants being recognized on the cash basis, assets and net assets were understated by \$150,000 and \$550,000 and revenue and change in net assets were overstated by \$400,000 and understated by \$550,000 as of and for the years ended December 31, 2015 and 2014, respectively.

Note 7 - 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, 2015 and 2014 were \$53,757 and \$50,377, respectively.

Note 8 – 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 \$97,733 and \$34,962 for the years ended December 31, 2015 and 2014, respectively.

Minimum future lease payments for the remaining term are as follows:

Years ending December 31,	
2016	\$ 106,811
2017	<u>45,016</u>
Total	<u>\$ 151,827</u>

Note 9 – Related Party Transactions

On January 29, 2015, the Organization filed a Certificate of Incorporation for Craftsperson Development Private Limited (“the Company”), a private limited company registered in India. The Company was registered as a means for the Organization to acquire land in India to be used in its operations. The Organization has a 99% ownership interest in the Company. The Organization is currently seeking to transition the Company to a Section 25 business, a for-profit entity with a charitable mission. During the year ended December 31, 2015, the Organization invested \$195,000 in the Company.

Note 10 - Subsequent Events

Subsequent events have been evaluated by management through July 27, 2016, which is the date the financials were available to be issued.