

NEST, INC.

**Financial Statements
December 31, 2017**

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

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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 statement of financial position as of December 31, 2017, and the related statement 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nest, Inc. as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Spire Group, PC

Clark, New Jersey
October 24, 2018

NEST, INC.

Statement of Financial Position
December 31, 2017

| | |
|------------------------------------------------|---------------------|
| Current Assets | |
| Cash | \$ 1,483,028 |
| Accounts receivable | 11,290 |
| Pledges receivable - net | 242,750 |
| Inventory asset | 3,784 |
| | <hr/> |
| Total Current Assets | 1,740,852 |
| Non-Current Assets | |
| Fixed assets | |
| Computers | 6,396 |
| Office equipment | 10,753 |
| Less: accumulated depreciation | (9,860) |
| | <hr/> |
| Net Fixed Assets | 7,289 |
| Security deposits | 20,162 |
| Investment in Craftsperson Development PVT LTD | 247,000 |
| Construction in progress | 11,247 |
| | <hr/> |
| Total Non-Current Assets | 285,698 |
| | <hr/> |
| Total Assets | \$ 2,026,550 |
| | <hr/> |
| Liabilities | |
| Accounts payable | \$ 48,153 |
| Deferred revenue | 63,500 |
| | <hr/> |
| Total Liabilities | 111,653 |
| | <hr/> |
| Net Assets | |
| Unrestricted | 1,113,640 |
| Temporarily restricted | 801,257 |
| | <hr/> |
| Total Net Assets | 1,914,897 |
| | <hr/> |
| Total Liabilities and Net Assets | \$ 2,026,550 |
| | <hr/> |

See accompanying notes.

NEST, INC.

**Statement of Activities
For the Year Ended December 31, 2017**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------------|---------------------|-----------------------------------|---------------------|
| Revenue and Support | | | |
| Foundation support | \$ 62,607 | \$ 396,813 | \$ 459,420 |
| Product sales (net of expenses of \$15,564) | (8,669) | - | (8,669) |
| Brand partnership | 655,389 | 12,000 | 667,389 |
| Individual contributions | 206,863 | 94,000 | 300,863 |
| Trip | 29,959 | - | 29,959 |
| Events (net of expenses of \$32,447) | 258,004 | - | 258,004 |
| In-kind revenue | 348,839 | - | 348,839 |
| Other income | 1,561 | - | 1,561 |
| Net assets released from restrictions | 611,495 | (611,495) | - |
| Total Revenue and Support | <u>2,166,048</u> | <u>(108,682)</u> | <u>2,057,366</u> |
| Expenses | | | |
| Program services | | | |
| Artisan business development | 1,186,359 | - | 1,186,359 |
| Global sector solutions | 319,642 | - | 319,642 |
| Advocacy and awareness | 341,512 | - | 341,512 |
| Management and general | 144,677 | - | 144,677 |
| Fundraising | 186,215 | - | 186,215 |
| Total Expenses | <u>2,178,405</u> | <u>-</u> | <u>2,178,405</u> |
| Change in Net Assets | (12,357) | (108,682) | (121,039) |
| Net Assets - Beginning of Year | <u>1,125,997</u> | <u>909,939</u> | <u>2,035,936</u> |
| Net Assets - End of Year | <u>\$ 1,113,640</u> | <u>\$ 801,257</u> | <u>\$ 1,914,897</u> |

See accompanying notes.

NEST, INC.

Statement of Cash Flow
For the Year Ended December 31, 2017

| | |
|---------------------------------------------------------------------------------------------|---------------------|
| Cash Flows from Operating Activities | |
| Change in net assets | \$ (121,039) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 1,565 |
| (Increase) decrease in operating assets: | |
| Accounts receivable | 21,341 |
| Pledges receivable - current portion | 48,550 |
| Loan receivable | 4,126 |
| Security deposit | (3,302) |
| Inventory | 65 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | 10,378 |
| Deferred revenue | 63,500 |
| Net Cash Provided by Operating Activities | <u>25,184</u> |
| Cash Flows from Investing Activities | |
| Purchases of fixed assets | (1,379) |
| Investment in craftsperson development | (52,000) |
| Net Cash (Used) by Investing Activities | <u>(53,379)</u> |
| Cash Flows from Financing Activities | |
| Pledges receivable - long-term | 235,750 |
| Loan payable repaid | (11,000) |
| Net Cash Provided by Financing Activities | <u>224,750</u> |
| Change in Cash | 196,555 |
| Cash - Beginning of Year | <u>1,286,473</u> |
| Cash - End of Year | <u>\$ 1,483,028</u> |

See accompanying notes.

NEST, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2017**

| | Program Services | | | | Management and General | Fund Raising | Total Functional Expenses |
|----------------------------------|---------------------------------------------|----------------------------------------|---------------------------------------|---------------------|-----------------------------------|-------------------------|------------------------------------------|
| | Artisan Business Development | Global Sector Solutions | Advocacy and Awareness | Total | | | |
| Functional Expenses | | | | | | | |
| Payroll and employee benefits | \$ 601,454 | \$ 151,597 | \$ 274,320 | \$ 1,027,371 | \$ 62,369 | \$ 151,800 | \$ 1,241,540 |
| Payroll taxes | 39,574 | 9,975 | 17,473 | 67,022 | 2,870 | 9,206 | 79,098 |
| Contracted services | - | - | - | - | 9,322 | - | 9,322 |
| Site expenses | 149,457 | 158,070 | - | 307,527 | - | - | 307,527 |
| Marketing | - | - | 6,937 | 6,937 | - | 5,714 | 12,651 |
| Travel and entertainment | 6,574 | - | 3,084 | 9,658 | - | 13,081 | 22,739 |
| Office expense | 40,461 | - | 39,698 | 80,159 | 55,564 | 25 | 135,748 |
| Insurance | - | - | - | - | 8,107 | - | 8,107 |
| In-kind professional services | 348,839 | - | - | 348,839 | - | - | 348,839 |
| State filing fees | - | - | - | - | 4,880 | - | 4,880 |
| Service charges | - | - | - | - | - | 6,389 | 6,389 |
| Depreciation | - | - | - | - | 1,565 | - | 1,565 |
| Subtotal | 1,186,359 | 319,642 | 341,512 | 1,847,513 | 144,677 | 186,215 | 2,178,405 |
| Event expense | - | - | - | - | - | 32,447 | 32,447 |
| Product sales expense | 15,564 | - | - | 15,564 | - | - | 15,564 |
| Total Functional Expenses | \$ 1,201,923 | \$ 319,642 | \$ 341,512 | \$ 1,863,077 | \$ 144,677 | \$ 218,662 | \$ 2,226,416 |

See accompanying notes.

NEST, INC.

Notes to Financial Statements December 31, 2017

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, 2017.

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, 2017.

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. The principle rates for computing depreciation by major asset categories are as follows:

| <u>Description</u> | <u>Asset Life (Years)</u> |
|--------------------|-------------------------------|
| Computers | 7 – 10 |
| Office equipment | 3 – 5 |

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of 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 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.

Functional Expenses

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

Inventory

Inventory consists mainly of artisan pashminas and necklaces. Inventory is valued using the first-in, first-out method at the lower of cost or market.

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 2017. The Organization's exemption from federal income tax returns are no longer subject to examination by federal taxing authorities for years before 2014.

Note 3 – Accounts Receivable and Revenue Concentrations

At December 31, 2017, one donor accounted for 96% of all receivables.

For the year ended December 31, 2017, four donors accounted for 24% of total revenue.

NEST, INC.

**Notes to Financial Statements
December 31, 2017**

Note 4 – Pledges Receivable

Pledges receivable represents commitments made by donors to the Organization. Pledge receivables due in more than one year are reflected at the present value of estimated future cash flows utilizing a 3% discount rate.

The expected collection schedule at December 31, 2017 is as follows:

| | | |
|-----------------------------------------|----|-----------------------|
| Pledges receivable in one to five years | \$ | 250,000 |
| Less unamortized discount | | <u>(7,250)</u> |
| Net | \$ | <u><u>242,750</u></u> |

Note 5 - Concentration of Credit Risk

At various times during the year, the Organization's cash in bank exceeded the federally insured limits. At December 31, 2017, the Organization had an uninsured cash balance of \$983,028.

Note 6 - Donated Services and Use of Facilities

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, 2017 was \$348,839.

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 year ended December 31, 2017 were \$99,971.

Note 8 – Commitments

Effective June 1, 2017, 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 \$100,220 for the year ended December 31, 2017.

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

| | | |
|--------------------------------------|----|-----------------------|
| Years ending December 31, | | |
| 2018 | \$ | 116,023 |
| 2019 | | 119,504 |
| 2020 | | <u>40,324</u> |
| Total | \$ | <u><u>275,851</u></u> |

NEST, INC.

**Notes to Financial Statements
December 31, 2017**

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. During 2016, the company purchased land with a cost of \$147,810. During 2017, the Organization invested \$52,000 in the company.

Note 10 - Subsequent Events

Subsequent events have been evaluated by management through October 24, 2018, which is the date the financials were available to be issued.