

FINANCIAL STATEMENTS

NEST, INC.

December 31, 2018

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October 6, 2019

Board of Trustees
Nest, Inc.
New York, NY

Independent Auditor's Report

We have audited the accompanying financial statements of Nest, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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.

Auditor's 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 auditor's 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, 2018, and the its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As described in Note B to the financial statements, Nest, Inc. adopted Financial Accounting Standards Board ASU No. 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities and ASU No. 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to these matters.

Hill, Barth & King LLC

Certified Public Accountants

STATEMENT OF FINANCIAL POSITION

NEST, INC.

December 31, 2018

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 2,984,213
Accounts receivable	112,483
Prepaid expense	5,000
TOTAL CURRENT ASSETS	<u>3,101,696</u>
<u>NON-CURRENT ASSETS</u>	
Property and equipment:	
Computers	6,396
Furniture	10,753
	<u>17,149</u>
Accumulated depreciation	(11,317)
Net property and equipment	5,832
Security deposits	20,162
Investment in Craftsperson Development PVT LTD	187,016
TOTAL NON-CURRENT ASSETS	<u>213,010</u>
TOTAL ASSETS	<u>\$ 3,314,706</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 51,194
Deferred revenue	204,896
TOTAL LIABILITIES	<u>256,090</u>
<u>NET ASSETS</u>	
Without donor restrictions	1,572,910
With donor restrictions	1,485,706
TOTAL NET ASSETS	<u>3,058,616</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,314,706</u>

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES

NEST, INC.

Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>			
Foundation support	\$ 138,440	\$ 1,403,899	\$ 1,542,339
Product sales (net of expenses of \$11,145)	22,705	-	22,705
Brand partnership	1,415,075	-	1,415,075
Individual contributions	342,070	60,075	402,145
Trip	50,480	-	50,480
Events (net of expenses of \$80,719)	133,719	-	133,719
In-kind revenue	331,809	-	331,809
Other loss	(125,710)	-	(125,710)
Net assets released from restrictions	779,525	(779,525)	-
TOTAL REVENUE AND SUPPORT	<u>3,088,113</u>	<u>684,449</u>	<u>3,772,562</u>
<u>EXPENSES</u>			
Program services:			
Nest Guild	820,405	-	820,405
Hardworker Sector Consulting	835,109	-	835,109
Research and advocacy	484,661	-	484,661
Total program services	<u>2,140,175</u>	<u>-</u>	<u>2,140,175</u>
Supporting services:			
Management and general	218,827	-	218,827
Fundraising	269,841	-	269,841
Total supporting services	<u>488,668</u>	<u>-</u>	<u>488,668</u>
TOTAL EXPENSES	<u>2,628,843</u>	<u>-</u>	<u>2,628,843</u>
CHANGE IN NET ASSETS	459,270	684,449	1,143,719
<u>NET ASSETS</u>			
Beginning of year	<u>1,113,640</u>	<u>801,257</u>	<u>1,914,897</u>
End of year	<u>\$ 1,572,910</u>	<u>\$ 1,485,706</u>	<u>\$ 3,058,616</u>

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

NEST, INC.

Year Ended December 31, 2018

	Program Services			Supporting Services		Total Functional Expenses	
	Nest Guild	Hardworker Sector Consulting	Research and Advocacy	Total	Management and General		Fund Raising
<u>FUNCTIONAL EXPENSES</u>							
Payroll and employee benefits	\$ 181,315	\$ 609,298	\$ 385,193	\$ 1,175,806	\$ 94,677	\$ 217,053	\$ 1,487,536
Payroll taxes	11,190	37,604	23,773	72,567	5,538	15,858	93,963
Contracted services	-	-	-	-	8,127	-	8,127
Site expenses	249,778	181,218	-	430,996	-	-	430,996
Marketing and fundraising	-	-	14,262	14,262	5,638	28,092	47,992
Travel and entertainment	2,540	6,989	12,593	22,122	-	8,838	30,960
Office expenses	43,773	-	43,773	87,546	95,282	-	182,828
Insurance	-	-	-	-	8,107	-	8,107
In-kind professional services	331,809	-	-	331,809	-	-	331,809
State filing fees	-	-	5,067	5,067	-	-	5,067
Depreciation	-	-	-	-	1,458	-	1,458
	<u>820,405</u>	<u>835,109</u>	<u>484,661</u>	<u>2,140,175</u>	<u>218,827</u>	<u>269,841</u>	<u>2,628,843</u>
Event expense	-	-	-	-	-	80,719	80,719
Product sales expense	11,145	-	-	11,145	-	-	11,145
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 831,550</u></u>	<u><u>\$ 835,109</u></u>	<u><u>\$ 484,661</u></u>	<u><u>\$ 2,151,320</u></u>	<u><u>\$ 218,827</u></u>	<u><u>\$ 350,560</u></u>	<u><u>\$ 2,720,707</u></u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

NEST, INC.

Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assests	\$ 1,143,719
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loss on investment in Craftsperson Development PVT LTD	129,611
Depreciation	1,458
(Increase) decrease in operating assets:	
Accounts receivable	(101,192)
Pledges receivable - current portion	242,750
Prepaid expense	(5,000)
Inventory	3,782
Increase (decrease) in operating liabilities:	
Accounts payable	3,041
Deferred revenue	141,396
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,559,565</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in Craftsperson Development PVT LTD	<u>(58,380)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(58,380)</u>

NET INCREASE IN CASH 1,501,185

CASH

Beginning of year	<u>1,483,028</u>
End of year	<u>\$ 2,984,213</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NEST, INC.

December 31, 2018

NOTE A – 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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards:

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Nest, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

On June 21, 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This update clarifies existing guidance for conditional contributions. Nest, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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, 2018.

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, 2018.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets:

In accordance with accounting principles generally accepted in the United States of America, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

Property and Equipment:

Property and equipment 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	3 – 5
Furniture	7 – 10

In-Kind Contributions:

The Organization received various donations of professional services for its programs, which are recorded at their fair market value on the date of donation. In-kind contributions of \$331,809 for the year ended December 31, 2018 are included in revenue and as program expense in the accompanying financial statements.

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:

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

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 directors.

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, where by the donor has stipulated the funds be maintained in perpetuity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status:

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

Functional Expenses:

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll and employee benefits	Time and effort
Payroll taxes	Time and effort
Contracted services	Direct cost
Site expenses	Direct cost
Marketing	Direct cost
Travel and entertainment	Direct cost
Office expense	Units of service
Insurance	Direct cost
In-kind professional services	Direct cost
State filing fees	Direct cost
Depreciation	Direct cost

Subsequent Events:

Subsequent events have been evaluated by management through October 6, 2019, which is the date the financials were available to be issued.

NOTE C – CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2018, two sources accounted for 37% of total revenue.

At various times during the year, the Organization's cash in bank exceeded the federally insured limits. At December 31, 2018, the Organization had an uninsured cash balance of \$983,028.

NOTE D – DONATED SERVICES

The Organization relies on volunteers as an integral part of its program service operations. The value of these services for the years ended December 31, 2018 was \$331,809.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2018

NOTE E – 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, 2018 were \$117,292.

NOTE F – RELATED PARTY TRANSACTIONS

On January 29, 2015, the Organization filed a Certificate of Incorporation for Craftsperson Development PVT LTD (“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, 2018, the Organization had an additional net investment in the Company of \$58,380 and wrote off land with a fair market value of \$129,611.

NOTE G – 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 \$116,023 for the year ended December 31, 2018.

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

Years ending	
<u>December 31,</u>	
2019	\$ 119,504
2020	<u>40,324</u>
TOTAL \$	<u>\$ 159,828</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2018

NOTE H – LIQUIDITY AND AVAILABILITY

The Organization’s goal is generally to maintain financial assets to meet 150-180 days of operating expenses (approximately \$1.5 million). As part of its liquidity plan, excess cash is invested in safe, liquid short-term investments, including money market accounts and treasury bills.

The following represents the financial assets at December 31, 2018:

Cash	\$ 2,984,213
Accounts receivable	112,483
TOTAL FINANCIAL ASSETS	<u>3,096,696</u>

Less amounts not available to be used within one year:

Donor restricted net assets	<u>263,500</u>
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FINANCIAL ASSETS AVAILABLE TO MEET GENERAL
EXPENDITURES OVER THE NEXT TWELVE MONTHS

\$ 2,833,196

NOTE I – CONDITIONAL GRANT AWARD

In 2018, the Organization was awarded a conditional grant of \$749,379 from Oak Foundation for the project “Skill Development: Nest Fellowship & Accelerator Program”.

Per the terms of the agreement, the Organization received \$266,725 for the year ended December 31, 2018, with the remaining balance of \$482,654 to be paid in 2019 when certain conditions are met.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 are as follows:

Specific purpose:

Homework in Supply Chain	\$ 199,322
Supply Chain Transparency for Homeworkers and Small Workshops	641,328
Fellowship/Guild activities	255,880
American Artisan Incubator / Birmingham	107,679
360 Degree Support / Artisans Accelerator Program	246,423
Artisan Accelerator Program	25,074
SOLD trafficking	10,000
TOTAL	<u>\$ 1,485,706</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2018

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from net assets with donor restrictions are as follows:

Satisfaction of purpose restrictions:

Homework in Supply Chain	\$ 294,604
Supply Chain Transparency for Homeworkers and Small Workshops	58,672
Fellowship/Guild activities	10,845
On-Site Assessment, Webinar Series and mentorship content	92,174
American Artisan Incubator / Birmingham	12,320
360 Degree Support	237,428
360 Degree Support / Artisans Accelerator Program	3,578
Soul Care Retreat	4,904
SOLD trafficking	65,000
TOTAL	<u>\$ 779,525</u>