

FINANCIAL STATEMENTS

NEST, INC.

December 31, 2020

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June 18, 2021

Board of Trustees
Nest, Inc.
New York, New York

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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hill, Barth & King LLC

Certified Public Accountants

STATEMENT OF FINANCIAL POSITION

NEST, INC.

December 31, 2020

| <u>ASSETS</u> | |
|--|---------------------|
| <u>CURRENT ASSETS</u> | |
| Cash | \$ 4,051,736 |
| Accounts receivable | 295,905 |
| TOTAL CURRENT ASSETS | <u>4,347,641</u> |
| <u>NON-CURRENT ASSETS</u> | |
| Property and equipment: | |
| Computers | 6,396 |
| Furniture | 10,753 |
| | <u>17,149</u> |
| Accumulated depreciation | (14,085) |
| NET PROPERTY AND EQUIPMENT | <u>3,064</u> |
| Investment in Craftsperson Development PVT LTD | 324,664 |
| TOTAL NON-CURRENT ASSETS | <u>327,728</u> |
| TOTAL ASSETS | <u>\$ 4,675,369</u> |
| <u>LIABILITIES AND NET ASSETS</u> | |
| <u>LIABILITIES</u> | |
| Accounts payable | \$ 110,594 |
| Deferred revenue | 171,630 |
| Paycheck Protection Program loan | 321,360 |
| TOTAL LIABILITIES | <u>603,584</u> |
| <u>NET ASSETS</u> | |
| Without donor restrictions | 2,547,424 |
| With donor restrictions | 1,524,361 |
| TOTAL NET ASSETS | <u>4,071,785</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,675,369</u> |

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES

NEST, INC.

Year Ended December 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| <u>REVENUE AND SUPPORT</u> | | | |
| Foundation support | \$ 271,808 | \$ 1,740,505 | \$ 2,012,313 |
| Corporate philanthropy | 169,288 | 803,000 | 972,288 |
| Product sales (net of expenses of \$72,855) | (24,595) | - | (24,595) |
| Earned revenue from program services | 1,053,696 | - | 1,053,696 |
| Individual contributions | 404,212 | 174,636 | 578,848 |
| Events (net of expenses of \$3,105) | 50,073 | - | 50,073 |
| In-kind revenue | 387,493 | - | 387,493 |
| Other | 10,270 | - | 10,270 |
| Interest revenue | 14,086 | - | 14,086 |
| Net assets released from restrictions | 2,512,631 | (2,512,631) | - |
| TOTAL REVENUE AND SUPPORT | <u>4,848,962</u> | <u>205,510</u> | <u>5,054,472</u> |
| <u>EXPENSES</u> | | | |
| Program services: | | | |
| Nest Guild | 976,376 | - | 976,376 |
| Handworker Sector Consulting | 2,176,902 | - | 2,176,902 |
| Research and advocacy | 540,616 | - | 540,616 |
| TOTAL PROGRAM SERVICES | <u>3,693,894</u> | <u>-</u> | <u>3,693,894</u> |
| Supporting services: | | | |
| Management and general | 208,058 | - | 208,058 |
| Fundraising | 351,610 | - | 351,610 |
| TOTAL SUPPORTING SERVICES | <u>559,668</u> | <u>-</u> | <u>559,668</u> |
| TOTAL EXPENSES | <u>4,253,562</u> | <u>-</u> | <u>4,253,562</u> |
| CHANGE IN NET ASSETS | 595,400 | 205,510 | 800,910 |
| <u>NET ASSETS</u> | | | |
| Beginning of year | 1,952,024 | 1,318,851 | 3,270,875 |
| End of year | <u>\$ 2,547,424</u> | <u>\$ 1,524,361</u> | <u>\$ 4,071,785</u> |

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

NEST, INC.

Year Ended December 31, 2020

| | Program Services | | | Supporting Services | | | Total Functional Expenses |
|----------------------------------|---------------------|------------------------------|-----------------------|------------------------|-------------------|---------------------|---------------------------|
| | Nest Guild | Handworker Sector Consulting | Research and Advocacy | Management and General | Fund Raising | Total | |
| <u>FUNCTIONAL EXPENSES</u> | | | | | | | |
| Payroll and employee benefits | \$ 416,501 | \$ 907,117 | \$ 417,175 | \$ 119,443 | \$ 273,159 | \$ 1,740,793 | \$ 2,133,395 |
| Payroll taxes | 27,378 | 58,786 | 27,017 | 4,958 | 15,055 | 113,181 | 133,194 |
| Contracted services | - | - | 62,448 | 9,078 | - | 62,448 | 71,526 |
| Site expenses | 123,680 | 1,210,639 | - | - | - | 1,334,319 | 1,334,319 |
| Marketing and fundraising | - | - | 10,591 | - | 13,545 | 10,591 | 24,136 |
| Travel and entertainment | 2,250 | 360 | 4,386 | 11,027 | 2,654 | 6,996 | 20,677 |
| Office expenses | 18,999 | - | 18,999 | 48,094 | 35,099 | 37,998 | 121,191 |
| Insurance | - | - | - | 8,426 | - | - | 8,426 |
| In-kind professional services | 387,493 | - | - | - | - | 387,493 | 387,493 |
| State filing fees | - | - | - | 4,752 | - | - | 4,752 |
| Service charges | 75 | - | - | 970 | 12,098 | 75 | 13,143 |
| Depreciation | - | - | - | 1,310 | - | - | 1,310 |
| | <u>976,376</u> | <u>2,176,902</u> | <u>540,616</u> | <u>208,058</u> | <u>351,610</u> | <u>3,693,894</u> | <u>4,253,562</u> |
| Event expense | - | - | - | - | 3,105 | - | 3,105 |
| Product sales expense | 72,855 | - | - | - | - | 72,855 | 72,855 |
| <u>TOTAL FUNCTIONAL EXPENSES</u> | <u>\$ 1,049,231</u> | <u>\$ 2,176,902</u> | <u>\$ 540,616</u> | <u>\$ 208,058</u> | <u>\$ 354,715</u> | <u>\$ 3,766,749</u> | <u>\$ 4,329,522</u> |

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

NEST, INC.

Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|----------------|
| Change in net assets | \$ 800,910 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 1,310 |
| (Increase) decrease in operating assets: | |
| Accounts receivable | (137,025) |
| Security deposits | 20,162 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | 37,186 |
| Deferred revenue | (44,913) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>677,630</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------------|
| Investment in Craftsperson Development PVT LTD | <u>(44,611)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(44,611)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|----------------|
| Proceeds from Paycheck Protection Program loan | <u>321,360</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>321,360</u> |

NET INCREASE IN CASH 954,379

CASH

| | |
|-------------------|---------------------|
| Beginning of year | <u>3,097,357</u> |
| End of year | <u>\$ 4,051,736</u> |

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NEST, INC.

December 31, 2020

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 in over 100 country including India, South Africa, Peru and various others 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

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, 2020.

Receivables:

Accounts receivable are recorded at cost. 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, 2020.

Merchandise Inventories:

Merchandise inventories, which consists of finished goods, are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$387,493 for the year ended December 31, 2020 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 trustees..

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

The Organization has evaluated subsequent events through June 18, 2021, the date these financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

NOTE C – CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2020, two sources accounted for 31% of total revenue.

At various times during the year, the Organization's cash in bank and Investments have exceed FDIC and SIPC limits. At December 31, 2020, the Organization had an uninsured cash balance of \$761,499 in Bank of America. At December 31, 2020, the Organization has uninsured cash in investments of \$2,525,428. SIPC insurance only covers loss if the institution fails, all money invested in the free market is at risk.

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, 2020 was \$387,493.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2020

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, 2020 were \$163,201.

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, 2020, the Organization had an additional investment in the Company of \$44,611.

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 \$50,651 for the year ended December 31, 2020. The lease expired on May 31, 2020 and was not renewed.

NOTE H – LIQUIDITY AND AVAILABILITY

The Organization’s goal is generally to maintain financial assets to meet 150-180 days of operating expenses (approximately \$1.6 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, 2020:

| | |
|---|---------------------|
| Cash | \$ 4,051,736 |
| Accounts receivable | <u>295,905</u> |
| TOTAL FINANCIAL ASSETS | 4,347,641 |
| Less amounts not available to be used within one year: | |
| Donor restricted net assets | <u>1,524,361</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS | <u>\$ 2,823,280</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2020

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 has received \$509,302 as of December 31, 2020, with the remaining balance of \$240,077 to be paid in 2021 as certain conditions are met.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets received with donor restrictions consisted of the following as of December 31, 2020:

| | |
|--|---------------------|
| Ethical handcraft programming to support artisan businesses | \$ 21,290 |
| Makers United Detroit | 16,871 |
| Gee's Bend Quilters Project | 25,000 |
| Technology / M&E / Convenings / US Incubator / Government Strategy | 648,323 |
| Artisans Accelerator Program | 347,540 |
| Artisan Accelerator - Refugee Cohort | 102,500 |
| Supply Chain Transparency for Homeworkers and Small Workshops | 132,837 |
| Charleston/Rwanda Basket Collaboration | 230,000 |
| TOTAL | <u>\$ 1,524,361</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2020

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from donor restrictions by satisfying the purpose or time restrictions specified by the donors are as follows for the year ended December 31, 2020:

| | |
|--|---------------------|
| Ethical handcraft programming to support artisan businesses | \$ 70,237 |
| Makers United Detroit | 43,129 |
| Makers United - Birmingham | 42,500 |
| Makers United Puerto Rico | 25,000 |
| Give a Mask | 5,070 |
| PPE Funds | 728,292 |
| COVID 19 Relief Grants | 131,000 |
| Varanasi | 23,317 |
| Support of the Gee's Bend Quilters Project | 39,500 |
| Jabots for Justice | 13,700 |
| Makers United San Antonio/Austin | 18,000 |
| Technology / M&E / Convenings / US Incubator / Government Strategy | 530,947 |
| Artisans Accelerator Program | 381,596 |
| Supply Chain Transparency for Homeworkers and Small Workshops | 211,578 |
| American Artisan Incubator / Austin | 6,600 |
| Professional Development | 2,933 |
| Fellowship/Guild activities | 233,232 |
| Charleston/Rwanda Basket Collaboration | 6,000 |
| TOTAL | <u>\$ 2,512,631</u> |

NOTE K – UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, the related financial impact and duration cannot be reasonably estimated at this time.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2020

NOTE L – PAYCHECK PROTECTION PROGRAM

In March 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide relief to small businesses impacted by the spread of COVID-19. As part of the CARES Act, the Paycheck Protection Program (PPP) offers small businesses forgivable loans to cover payroll and certain other operating expenses. On May 5, 2020, the Organization received a loan under the PPP in the amount of \$321,360. The loan which bears interest at 1.00% is unsecured, and includes a deferral period for monthly payments of principal and interest until the date the U.S. Small Business Administration (SBA) remits the Organization's loan forgiveness amount to their lender. The loan is included in liabilities on the statement of financial position as of December 31, 2020.

The Organization has applied for full forgiveness on their PPP loan and are still awaiting a decision from the SBA.