

FINANCIAL STATEMENTS

NEST, INC.

December 31, 2021

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August 11, 2022

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

Independent Auditor's Report

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nest, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nest, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nest, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nest, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hill, Barth & King LLC

Certified Public Accountants

STATEMENT OF FINANCIAL POSITION

NEST, INC.

December 31, 2021

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 5,218,744
Accounts receivable	57,129
TOTAL CURRENT ASSETS	<u>5,275,873</u>
<u>NON-CURRENT ASSETS</u>	
Property and equipment:	
Computers	6,396
Furniture	2,479
	<u>8,875</u>
Accumulated depreciation	<u>(8,875)</u>
NET PROPERTY AND EQUIPMENT	-
Security deposits	21,036
TOTAL NON-CURRENT ASSETS	<u>21,036</u>
TOTAL ASSETS	<u>\$ 5,296,909</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 44,818
Deferred revenue	271,389
Paycheck Protection Program loan	364,147
TOTAL LIABILITIES	<u>680,354</u>
<u>NET ASSETS</u>	
Without donor restrictions	2,923,896
With donor restrictions	1,692,659
TOTAL NET ASSETS	<u>4,616,555</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,296,909</u>

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES

NEST, INC.

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>			
Foundation support	\$ 18,604	\$ 2,128,086	\$ 2,146,690
Corporate philanthropy	74,798	825,544	900,342
Product sales (net of expenses of \$6,468)	(4,918)	-	(4,918)
Earned revenue from program services	887,665	-	887,665
Individual contributions	200,991	340,542	541,533
Events (net of expenses of \$3,130)	(1,644)	-	(1,644)
In-kind revenue	231,649	-	231,649
Forgiveness of Paycheck Protection Plan loan	-	321,360	321,360
Other	18,324	-	18,324
Interest revenue	765	-	765
Net assets released from restrictions	3,447,234	(3,447,234)	-
TOTAL REVENUE AND SUPPORT	<u>4,873,468</u>	<u>168,298</u>	<u>5,041,766</u>
<u>EXPENSES</u>			
Program services:			
Nest Guild	1,157,462	-	1,157,462
Handworker Sector Consulting	2,064,562	-	2,064,562
Research and advocacy	551,481	-	551,481
TOTAL PROGRAM SERVICES	<u>3,773,505</u>	<u>-</u>	<u>3,773,505</u>
Supporting services:			
Management and general	341,227	-	341,227
Fundraising	382,264	-	382,264
TOTAL SUPPORTING SERVICES	<u>723,491</u>	<u>-</u>	<u>723,491</u>
TOTAL EXPENSES	<u>4,496,996</u>	<u>-</u>	<u>4,496,996</u>
CHANGE IN NET ASSETS	376,472	168,298	544,770
<u>NET ASSETS</u>			
Beginning of year	<u>2,547,424</u>	<u>1,524,361</u>	<u>4,071,785</u>
End of year	<u>\$ 2,923,896</u>	<u>\$ 1,692,659</u>	<u>\$ 4,616,555</u>

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

NEST, INC.

Year Ended December 31, 2021

	Program Services				Supporting Services			Total Functional Expenses
		Handworker Sector Consulting	Research and Advocacy	Total Program Services	Management and General	Fund Raising	Total Support Services	
	Nest Guild							
<u>FUNCTIONAL EXPENSES</u>								
Payroll and employee benefits	\$ 536,694	\$ 967,432	\$ 436,774	\$ 1,940,900	\$ 182,766	\$ 352,309	\$ 535,075	\$2,475,975
Payroll taxes	38,576	67,870	29,389	135,835	7,489	22,233	29,722	165,557
Contracted services	-	-	70,875	70,875	13,263	-	13,263	84,138
Site expenses	342,277	666,321	5,526	1,014,124	-	-	-	1,014,124
Marketing and fundraising	-	-	1,770	1,770	-	1,485	1,485	3,255
Travel and entertainment	4,618	21,957	3,903	30,478	-	370	370	30,848
Office expenses	3,244	-	3,244	6,488	99,274	3,456	102,730	109,218
Insurance	-	-	-	-	10,306	-	10,306	10,306
State filing fees	-	-	-	-	11,370	-	11,370	11,370
In-kind professional services	231,649	-	-	231,649	-	-	-	231,649
Service charges	404	-	-	404	2,125	2,411	4,536	4,940
Depreciation	-	-	-	-	169	-	169	169
Grants	-	340,982	-	340,982	-	-	-	340,982
Miscellaneous	-	-	-	-	14,465	-	14,465	14,465
	<u>1,157,462</u>	<u>2,064,562</u>	<u>551,481</u>	<u>3,773,505</u>	<u>341,227</u>	<u>382,264</u>	<u>723,491</u>	<u>4,496,996</u>
Event expense	-	-	-	-	-	3,130	3,130	3,130
Product sales expense	6,468	-	-	6,468	-	-	-	6,468
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 1,163,930</u></u>	<u><u>\$ 2,064,562</u></u>	<u><u>\$ 551,481</u></u>	<u><u>\$ 3,779,973</u></u>	<u><u>\$ 341,227</u></u>	<u><u>\$ 385,394</u></u>	<u><u>\$ 726,621</u></u>	<u><u>\$4,506,594</u></u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

NEST, INC.

Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 544,770
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	169
Loss on disposal	2,896
Forgiveness of Paycheck Protection Program loan	(321,360)
Transfer of Craftsperson Development PVT LTD	324,665
(Increase) decrease in operating assets:	
Accounts receivable	238,775
Security deposits	(21,036)
Increase (decrease) in operating liabilities:	
Accounts payable	(65,776)
Deferred revenue	99,758
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>802,861</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Paycheck Protection Program loan	<u>364,147</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>364,147</u>

NET INCREASE IN CASH 1,167,008

CASH

Beginning of year	<u>4,051,736</u>
End of year	<u>\$ 5,218,744</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NEST, INC.

December 31, 2021

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 countries 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, 2021.

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, 2021.

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.

The Organization recognizes earned revenues from program services in accordance with generally accepted accounting principles. As the Fee for Service work is performed Nest recognizes the revenue. The Fee for Service agreements that customers have paid for but have not been completed will be considered deferred revenues until the services are completed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2021

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:

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events:

The Organization has evaluated subsequent events through August 11, 2022, 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, 2021, one source accounted for 16% of total revenue.

At various times during the year, the Organization's cash in banks have exceed FDIC and SIPC limits. At December 31, 2021, the Organization had an uninsured cash balance of \$1,857,295 in Bank of America. At December 31, 2021, the Organization has uninsured cash balance of \$2,537,943 in Merrill Lynch. 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 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 \$231,649 for the year ended December 31, 2021 are included in revenue and as program expense in the accompanying financial statements.

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, 2021 were \$186,055.

NOTE F – 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, 2021:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2021

NOTE F – LIQUIDITY AND AVAILABILITY (CONTINUED)

Cash	\$ 5,218,744
Accounts receivable	<u>57,129</u>
TOTAL FINANCIAL ASSETS	5,275,873
Less amounts not available to be used within one year:	
Donor restricted net assets	<u>1,692,659</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	
	<u><u>\$ 3,583,214</u></u>

NOTE G – 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”. Revenue is recognized as the conditions are met.

Per the terms of the agreement, the Organization has received all \$749,379 as of December 31, 2021.

NOTE H – CRAFTSPERSON PVT LTD

In the course of Nest’s work with an artisan business based in Varanasi, India, it was determined that a community production and training center was pivotal to reach the impact goals of the preservation of craft, empowerment of women, and the reconciliation of two neighboring communities. Nest proceeded to raise funds and construct the facility, with all donors to the project having the clear understanding that the eventual goal was to transfer ownership of the space to the artisan business partner. This ownership transfer was successfully made in 2021, thereby removing the asset from Nest, Inc. The total amount of the transfer was \$345,139.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets received with donor restrictions consisted of the following as of December 31, 2021:

Ethical handcraft programming to support artisan businesses	\$ 131,290
Makers United	406,871
Gee's Bend Quilters Project	95,527
Technology / M&E / Convenings / US Incubator / Government Strategy	687,203
Artisans Accelerator Program	356,768
Supply Chain Transparency for Homeworkers and Small Workshops	15,000
TOTAL	<u><u>\$ 1,692,659</u></u>

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, 2021:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2021

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Makers United	723,559
Payroll Protection Grant Forgiveness	321,360
Covid Relief for India	95,000
Technology / M&E / Convenings / US Incubator / Government Strategy	711,121
Artisans Accelerator Program	983,280
Supply Chain Transparency for Homeworkers and Small Workshops	117,837
Fellowship/Guild activities	265,077
Charleston/Rwanda Basket Collaboration	230,000
TOTAL	<u>\$ 3,447,234</u>

NOTE J – RISKS AND 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.

NOTE K – 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 Organization has applied for and received full forgiveness on their first PPP loan.

In March 2021, the Organization received a second loan under the PPP in the amount of \$364,147. 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, 2021.