

FINANCIAL STATEMENTS

NEST, INC.

December 31, 2022



CONTENTS

PAGE

Independent Auditor's Report	1 - 2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14



July 17, 2023

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, 2022, 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, 2022, 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, 2022

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 4,630,289
Investment	1,005,625
Accounts receivable, net of allowance of \$25,166	504,134
TOTAL CURRENT ASSETS	<u>6,140,048</u>
<u>NON-CURRENT ASSETS</u>	
Security deposits	30,605
TOTAL NON-CURRENT ASSETS	<u>30,605</u>
TOTAL ASSETS	<u>\$ 6,170,653</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 117,395
Deferred revenue	211,180
Refundable advance	1,000,000
TOTAL LIABILITIES	<u>1,328,575</u>
<u>NET ASSETS</u>	
Without donor restrictions	3,222,864
With donor restrictions	1,619,214
TOTAL NET ASSETS	<u>4,842,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,170,653</u>

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES

NEST, INC.

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>			
Foundation support	\$ 387,825	\$ 1,348,488	\$ 1,736,313
Corporate philanthropy	145,683	969,227	1,114,910
Product sales (net of expenses of \$1,273)	237	-	237
Earned revenue from program services	1,305,492	-	1,305,492
Individual contributions	515,439	85,470	600,909
Events (net of expenses of \$35,955)	235,731	7,791	243,522
In-kind revenue	251,094	-	251,094
Forgiveness of Paycheck Protection Plan loan	364,147	-	364,147
Other	52,562	-	52,562
Interest revenue	44,218	-	44,218
Net assets released from restrictions	2,484,421	(2,484,421)	-
TOTAL REVENUE AND SUPPORT	<u>5,786,849</u>	<u>(73,445)</u>	<u>5,713,404</u>
<u>EXPENSES</u>			
Program services:			
Nest Guild	2,296,078	-	2,296,078
Handworker Sector Consulting	1,154,316	-	1,154,316
Research and advocacy	977,489	-	977,489
TOTAL PROGRAM SERVICES	<u>4,427,883</u>	<u>-</u>	<u>4,427,883</u>
Supporting services:			
Management and general	511,443	-	511,443
Fundraising	548,555	-	548,555
TOTAL SUPPORTING SERVICES	<u>1,059,998</u>	<u>-</u>	<u>1,059,998</u>
TOTAL EXPENSES	<u>5,487,881</u>	<u>-</u>	<u>5,487,881</u>
CHANGE IN NET ASSETS	298,968	(73,445)	225,523
<u>NET ASSETS</u>			
Beginning of year	2,923,896	1,692,659	4,616,555
End of year	<u>\$ 3,222,864</u>	<u>\$ 1,619,214</u>	<u>\$ 4,842,078</u>

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

NEST, INC.

Year Ended December 31, 2022

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Functional Expenses</u>	
	<u>Nest Guild</u>	<u>Handworker Sector Consulting</u>	<u>Research and Advocacy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>		<u>Total Support Services</u>
<u>FUNCTIONAL EXPENSES</u>								
Payroll and employee benefits	1,110,662	757,479	755,008	\$ 2,623,149	229,966	467,990	\$ 697,956	\$ 3,321,105
Payroll taxes	65,210	44,474	44,329	154,013	13,502	27,477	40,979	194,992
Contracted services	-	-	155,567	155,567	24,362	17,130	41,492	197,059
Site expenses	861,564	352,363	12,250	1,226,177	-	-	-	1,226,177
Marketing and fundraising	-	-	2,207	2,207	-	2,631	2,631	4,838
Travel and entertainment	7,548	-	8,128	15,676	-	29,422	29,422	45,098
Office expenses	-	-	-	-	146,663	-	146,663	146,663
Insurance	-	-	-	-	19,252	-	19,252	19,252
In-kind professional services	251,094	-	-	251,094	-	-	-	251,094
State filing fees	-	-	-	-	17,528	-	17,528	17,528
Service charges	-	-	-	-	20,004	3,864	23,868	23,868
Bad debt expense	-	-	-	-	25,166	-	25,166	25,166
Grants	-	-	-	-	15,000	-	15,000	15,000
Miscellaneous	-	-	-	-	-	41	41	41
	<u>2,296,078</u>	<u>1,154,316</u>	<u>977,489</u>	<u>4,427,883</u>	<u>511,443</u>	<u>548,555</u>	<u>1,059,998</u>	<u>5,487,881</u>
Event expense	-	-	-	-	-	35,955	35,955	35,955
Product sales expense	1,273	-	-	1,273	-	-	-	1,273
TOTAL FUNCTIONAL EXPENSES	<u><u>\$2,297,351</u></u>	<u><u>\$ 1,154,316</u></u>	<u><u>\$977,489</u></u>	<u><u>\$ 4,429,156</u></u>	<u><u>\$ 511,443</u></u>	<u><u>\$584,510</u></u>	<u><u>\$ 1,095,953</u></u>	<u><u>\$ 5,525,109</u></u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

NEST, INC.

Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 225,523
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Bad debt expense	25,166
Gain on investments	(8,346)
Forgiveness of Paycheck Protection Program loan	(364,146)
(Increase) in operating assets:	
Accounts receivable	(472,171)
Security deposits	(9,569)
Increase (decrease) in operating liabilities:	
Accounts payable	72,576
Deferred revenue	(60,209)
Refundable advance	1,000,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>408,824</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	<u>(997,279)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(997,279)</u>

NET DECREASE IN CASH (588,455)

CASH

Beginning of year	<u>5,218,744</u>
End of year	<u>\$ 4,630,289</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NEST, INC.

December 31, 2022

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, 2022.

Investments

Investment recorded at fair market value. Investments consists of treasury bills purchased in 2022.

Receivables:

Accounts receivables 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 an allowance for doubtful accounts to be necessary as of December 31, 2022 totaling \$25,166.

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, 2022

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 principal 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.

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, 2022

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 based on hours worked.

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 and fundraising	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
Grants	Direct cost
Miscellaneous	Direct cost

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events:

The Organization has evaluated subsequent events through July 17, 2023, 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, 2022, one source accounted for 10% of total revenue.

At various times during the year, the Organization's cash in banks has exceeded FDIC and SIPC limits. At December 31, 2022, the Organization had an uninsured cash balance of \$419,165 in Bank of America. At December 31, 2022, the Organization has an uninsured cash balance of \$3,475,355 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 \$251,094 for the year ended December 31, 2022 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, 2022 were \$227,017.

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, 2022:

Cash	\$ 4,630,289
Accounts receivable	504,134
TOTAL FINANCIAL ASSETS	<u>5,134,423</u>
Less amounts not available to be used within one year:	
Donor restricted net assets	<u>1,619,214</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	<u><u>\$ 3,515,209</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2022

NOTE G – INVESTMENTS

Investments as of December 31, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Treasury bills	<u>\$ 997,279</u>	<u>\$ 1,005,625</u>

NOTE H – FAIR VALUE MEASUREMENT

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while observable inputs reflect our market assumptions. Preference is given to observable inputs. These three types of inputs create the following fair value hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement dates.

Level 2 – unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 – unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The following table presents the assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

	December 31, 2022	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Treasury bills	<u>\$ 1,005,625</u>	<u>\$ -</u>	<u>\$ 1,005,625</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2022

NOTE I – CONDITIONAL GRANT AWARD

In 2022, the Organization was awarded a conditional grant of \$805,288 from Target Foundation for the “Sustainability Artisan Accelerator” project. Revenue is recognized as the conditions are met. Per the terms of the agreement, the Organization has received all \$805,288 as of December 31, 2022.

The Organization was also awarded a conditional grant of \$1,250,000 (August 2022 to July 2027) from Oak Foundation. The Organization has received \$300,000 as of December 31, 2022.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets received with donor restrictions consisted of the following as of December 31, 2022:

Uncommon Goods Restricted Give-Back	\$	1,688
Cunningham-MU Indigenous Advisory Board Stipend		5,000
Square Inc-MU National		5,000
Dana Bronfman-Jewelry Fellowship		5,000
Jewelers United Sponsorship		5,000
Columbia Gem House-Jewelers United		7,000
AOTQ Event Funding		7,791
Soucie Horner-MU Chicago		10,000
Nicole Pechanec-MU Indianapolis		12,800
Tory Burch-US Makers Grant Program		17,500
Bloomberg-2021-(year 3)		19,934
Gee's Bend Community Support		25,000
Freedom Quilting Bee-MU Gee's Bend		26,000
MU Detroit Grant		32,000
Etsy-Climate Impact		34,321
Williams-Sonoma: Ethical Handcraft		41,645
Etsy-MU Indigenous Program Support		43,598
Patrick McGovern Found-Climate Impacts		46,909
Katy Bravo - PR Market Access		57,470
US Maker Report Grant		72,931
Oak Foundation - Guild		150,000
Global Philanthropic Grant		292,480
Winn Family Found-Artisan Accelerator		325,147
Bloomberg Bridge Grant		375,000
TOTAL	\$	<u><u>1,619,214</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2022

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, 2022:

West Elm-MU Detroit	\$	2,320
Dana Bronfman-Jewelry Fellowship		2,500
IBB-Jewelry Fellowship		2,500
Lauren Wolf-Jewelry Fellowship		2,500
Melissa Manning-Jewelry Fellowship		2,500
Ten Thousand Things-Jewelry Fellowship		2,500
Wwake-Jewelry Fellowship		2,500
Zimmerman-Jewelry Fellowship		2,500
Greg Lauren GB Community Mgr Support		5,000
Marfa Stance GB Community Mgr Support		5,000
Square Inc-MU National		5,000
Tory Burch-US Makers Grant Program		8,000
Williams-Sonoma: Ethical Handcraft		8,355
Kathryn Harbert-UMA local branding		8,500
Chloe GB Community Mgr Support		10,000
Freedom Quilting Bee-MU Gee's Bend		10,000
Global Philanthropic Grant		12,808
Same Sky Found-MU Detroit		14,551
The Walt Disney Company-Supply Chain		15,000
Neiman Marcus Group - Gee's Bend		15,451
Soucie Horner-MU Chicago		20,000
Mastercard Foundation-EH Support in Africa		21,290
Alwaleed Philanthropies-AA Program		22,500
Bruce Abrams Found-MU Chicago		23,000
Hermes of Paris-MU Indigenous		26,000
Nicole Pechanec-MU Indianapolis		29,700
Rung for Women-Grant MU St Louis		32,120
Etsy-Climate Impact		35,679
Swarovski-Artisan Accelerator		40,868
Nancy Abbey-Gee's Bend		49,502
Etsy Impact Fund-MU National		50,000
Patrick McGovern Found-Climate Impacts		53,091
Etsy-MU Indigenous Program Support		56,402
Bloomberg-2020 (year 2)		63,879
Souls Grown Deep-MU Gee's Bend		102,275
Bloomberg Bridge Grant		125,000
Oak Foundation - Guild		150,000
Hermes of Paris-MU Workshops/program + media		158,000
Pivotal Ventures-MU National		200,000
Etsy-Support MU Afghan Refugee Proj		204,800
Winn Family Found-Artisan Accelerator		279,440
Bloomberg-2021-(year 3)		603,390
TOTAL	\$	<u>2,484,421</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEST, INC.

December 31, 2022

NOTE K – PAYCHECK PROTECTION PROGRAM

In March 2021, the Organization received a second loan under the PPP in the amount of \$364,146. 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 applied for and received full forgiveness on their second PPP loan in 2022 and has been recorded as revenue in the statement of activities.