

**NONPROFIT ENTERPRISE AND
SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY**

(A Nonprofit Corporation)

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2020

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-17
SUPPLEMENTARY INFORMATION	
Consolidating statement of financial position	18
Consolidating statement of activities	19



B O W M A N
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors

Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary
(A Nonprofit Corporation)

El Cerrito, California

Report on Financial Statements

We have audited the accompanying consolidated financial statements of **Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary (A Nonprofit Corporation)**, which comprise of the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary 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.

Emphasis of Matter

As discussed in Note 9 to the consolidated financial statements, in March 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern”. Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 18 and 19 is presented for the purpose of additional analysis of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization’s 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent in all material aspects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Bowman & Company, LLP". The signature is written in a cursive, flowing style.

Bowman & Company, LLP
Stockton, California
April 30, 2021

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020
(With Comparative Totals for 2019)

ASSETS	2020	2019
Cash and cash equivalents	\$ 3,111,137	\$ 1,396,697
Accounts receivable, less allowance of \$0	1,579	38,995
Grants receivable, less allowance of \$0	7,166	281,068
Interest receivable	6,365	533
Loans receivable, less allowance of \$70,172	762,301	630,883
Recoverable grant repayments	24,969	--
Furniture and equipment, less accumulated depreciation of \$15,786	13,178	10,752
Donated artwork	31,500	31,500
Prepaid expenses	6,854	6,174
Deposits	3,845	3,845
	\$ 3,968,894	\$ 2,400,447
Total assets	\$ 3,968,894	\$ 2,400,447
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 8,187	\$ 48,429
Accrued salaries and benefits	85,060	54,181
Interest payable	4,958	--
Funds available for recoverable grants	24,969	--
Advance collections	--	10,000
Loans payable	1,246,556	835,966
	1,369,730	948,576
Total liabilities	1,369,730	948,576
NET ASSETS		
Without donor restrictions		
Without donor restrictions	385,199	189,781
Board designated first loss guarantee reserve	107,000	107,000
Total net assets without donor restrictions	492,199	296,781
With donor restrictions		
Program restricted	1,948,187	996,312
First loss guarantee reserve	158,778	158,778
Total net assets with donor restrictions	2,106,965	1,155,090
Total net assets	2,599,164	1,451,871
Total liabilities and net assets	\$ 3,968,894	\$ 2,400,447

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
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CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUE				
Earned revenue				
Contracts	\$ 41,467	\$ --	\$ 41,467	\$ 186,052
Financial revenue (expense)				
Investment returns	62,261	--	62,261	10,054
Interest expense	(15,376)	--	(15,376)	(10,730)
Net financial revenue (expense)	46,885	--	46,885	(676)
Net earned and financial revenue	88,352	--	88,352	185,376
Private contributions and grants	361,610	1,882,071	2,243,681	1,519,444
Government grants	347,851	17,209	365,060	77,005
In-kind contributions	31,845	--	31,845	100,305
Foreign currency loss	(36,284)	--	(36,284)	(13,716)
Net assets released from restrictions:				
Private contributions and grants	947,405	(947,405)	--	--
Total operating revenue	1,740,779	951,875	2,692,654	1,868,414
EXPENSES				
Program services	1,322,361	--	1,322,361	1,445,072
General and administrative	153,141	--	153,141	125,604
Fundraising	69,859	--	69,859	120,785
Total expenses	1,545,361	--	1,545,361	1,691,461
Increase in net assets	195,418	951,875	1,147,293	176,953
Net assets, beginning of year	296,781	1,155,090	1,451,871	1,274,918
Net assets, end of year	\$ 492,199	\$ 2,106,965	\$ 2,599,164	\$ 1,451,871

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020				2019
	Program Expenses	General and Administrative	Fundraising	Total	
Salaries and payroll taxes	\$ 853,908	\$ 105,814	\$ 65,791	\$ 1,025,513	\$ 808,327
Contractors	111,955	--	--	111,955	274,211
Grants and allocations	180,678	--	--	180,678	187,207
Professional fees	33,928	4,232	682	38,842	68,402
Accounting fees	10,972	25,406	--	36,378	43,234
Occupancy	24,555	7,467	372	32,394	56,893
In-kind expenses	31,845	--	--	31,845	100,305
Miscellaneous expenses	19,174	3,720	--	22,894	20,693
Event expenses	11,785	--	--	11,785	16,984
Legal fees	6,999	3,606	--	10,605	20,808
Travel	6,561	--	1,767	8,328	59,788
Communication	5,788	599	349	6,736	5,655
Bank fees	4,622	1,098	322	6,042	7,959
Conferences and conventions	5,400	30	576	6,006	9,389
Supplies and small equipment purchases	4,825	831	--	5,656	5,703
Provision for loan loss reserve	4,347	--	--	4,347	--
Postage and shipping	253	151	--	404	1,361
Printing and publications	90	187	--	277	292
Total expenses before depreciation	1,317,685	153,141	69,859	1,540,685	1,687,211
Depreciation	4,676	--	--	4,676	4,250
Total expenses	<u>\$ 1,322,361</u>	<u>\$ 153,141</u>	<u>\$ 69,859</u>	<u>\$ 1,545,361</u>	<u>\$ 1,691,461</u>

NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,147,293	\$ 176,953
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,676	4,250
Donation of artwork	--	(10,500)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	37,416	37,704
Grants receivable	273,902	9,868
Interest receivable	(5,832)	--
Loans receivable	(131,418)	(134,909)
Prepaid expenses	(680)	2,794
Deposits	--	17,216
(Decrease) increase in:		
Accounts payable	(40,242)	17,644
Accrued salaries and benefits	30,879	(14,553)
Interest payable	4,958	--
Advance collections	(10,000)	10,000
Loans payable	410,590	599,197
	1,721,542	715,664
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(7,102)	(3,403)
Net cash used in investing activities	(7,102)	(3,403)
Increase in cash and cash equivalents	1,714,440	712,261
Cash and cash equivalents, beginning of year	1,396,697	684,436
Cash and cash equivalents, end of year	\$ 3,111,137	\$ 1,396,697
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for interest	\$ 10,418	\$ 10,977

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies

Founded in 1997, Nonprofit Enterprise and Self-sustainability Team, Inc. (“NESsT”), is a 501(c)(3) Maryland nonprofit corporation investing in social enterprises that provide dignified jobs in emerging markets. In 2017, NESsT incorporated NESsT SELF LLC, a Delaware limited liability company, (together, the “Organization”). NESsT SELF LLC is a wholly-owned subsidiary of NESsT.

The Organization operates investment programs in Latin America and Central Europe, and fosters social entrepreneurship and impact investing around the world.

The Organization operates the following programs:

Loan Fund: NESsT SELF LLC provides loans to social enterprises in Latin America. Loans range from \$50,000 to \$500,000 to address the missing middle in social enterprise financing. Investors in the Loan Fund (“Fund”) are accredited private investors, development banks, and foundations who purchased notes payable from the Fund.

Incubation: Since 1997, the incubation program has been accelerating early-stage social enterprises. The program provides business assistance alongside flexible financing, mostly in the form of grants and recoverable grants, to assist social enterprises to become profitable. NESsT has operated incubation programs in more than 50 countries and for 1,100 social enterprises. Prior to the incorporation of NESsT SELF LLC, the incubation program provided a limited number of loans currently totaling \$422,674 to social enterprises. The incubation program primarily used philanthropic capital to make loans, in addition to having a partnership with Kiva, for raising low-cost loans on its platform and re-lending them to social enterprises. In 2019, NESsT centralized all of its primary (or secured) lending through the Fund, but still make small grant and recoverable grant funded loans in the incubation program focusing on business assistance.

A summary of significant accounting policies is as follows:

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting and represent the consolidated activity of NESsT and NESsT SELF LLC. All intercompany transactions have been eliminated.

The Organization is required to report information regarding their consolidated financial position and activities according to two classes of net assets. The asset categories are as follows:

Net Assets without Donor Restrictions:

Net assets without donor restrictions are those net assets presently available for use by the Organization at the discretion of the Board of Directors.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies (Cont.)

Basis of Presentation (Cont.)

Net Assets with Donor Restrictions:

Donor restricted net assets are subject to stipulations imposed by donors, grants, and contracts that can be fulfilled by actions of the Organization or that expire by the passage of time.

Cash and Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash is on deposit in Brazil, Chile, Hungary, Peru, Romania, Poland, and the United States. The balances are insured with their respective governments. At December 31, 2020, balances in United States, Brazil, and Peru were in excess of insured limits by \$2,533,731.

Recoverable Grant Repayments

The Organization receives funding from donors that is used to make recoverable grants to social enterprises, which are included in loans receivable in the Consolidated Statement of Financial Position. Some donors request that any repayments made on recoverable grants be made available for future grants.

Furniture and Equipment

Furniture and equipment are stated at cost. Expenditures for furniture and equipment costing over \$1,000 are capitalized. All expenditures for computers are capitalized. Depreciation is calculated over five years using the straight-line method.

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying value amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. For the year ended December 31, 2020, there were no impairment losses recognized.

Donated Artwork

Donated artwork was recorded at the fair market value.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies (Cont.)

Accounts Receivable

Accounts receivable are stated at unpaid balances less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on its assessment of the current status of individual accounts and prior experience. Specific uncollectible receivables are charged to operations in the period in which the determination is made.

Loans Receivable

Loans receivable are carried at unpaid principal balances less an allowance for loan losses. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Organization's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, accounts receivable, grants receivable, accrued salaries and benefits, and accounts payable approximate their value due to the short-term maturities of these instruments.

Revenue Recognition

A substantial portion of program revenues is derived from private contributions and grants, governmental grants, and contracts. In accordance with contract provisions, revenues are primarily recognized as expenses are incurred by the programs or certain benchmarks are achieved.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies (Cont.)

Revenue Recognition (Cont.)

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from donor restrictions.

During 2020, the Organization received restricted grants totaling \$2,806,458 that contained donor restrictions (primarily meeting reporting and spending requirements). Since these grants represent conditional promises to give, they are not recognized until the conditions are substantially met. Any assets contributed before the related conditions have been substantially met are accounted for as a liability on the Consolidated Statement of Financial Position.

Income Taxes

The Organization has been granted tax-exempt status by the Internal Revenue Service under IRC Section 501(c)3 and the California Franchise Tax Board under Section 23701(d). The Organization is classified by the Internal Revenue Service as an other-than-private foundation. Accordingly, no provision for federal or state income taxes is made in the accompanying consolidated financial statements. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses which can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on estimates made by the Organizations' management. The expenses that are allocated include office supplies and expenses, which is allocated on the ratio of each program's expense to total expenses and rent expense, which is allocated on a square-footage basis, as well as salaries and employee benefits, which are allocated on the basis of estimates of time and effort.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Operations and Significant Accounting Policies (Cont.)

Subsequent Events

Management has evaluated subsequent events through April 30, 2021, the date on which the consolidated financial statements were available to be issued.

Note 2. Availability and Liquidity

The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Organization's liquidity management, it has a policy to maintain financial assets, which consist of cash and cash equivalents, accounts receivable, and loans receivable, available to meet 60 days of normal operating expenses, which approximate \$296,000 on average.

The following represents the Organization's financial assets available for general expenditures within one year of the consolidated statement of financial position at December 31, 2020:

Cash and cash equivalents	\$ 3,111,137
Accounts receivable	1,579
Grants receivable	7,166
Interest receivable	6,365
Loans receivable	<u>377,439</u>
Total financial assets	3,503,686
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(2,106,965)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 1,396,721</u>

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans Receivable

At December 31, 2020, the Organization had 31 loans outstanding between its Fund and incubation program. These loans mature at various times. The Fund began operations in the second half of 2018 and had four active loans at December 31, 2020. The incubation program included the remaining 27 loans.

Loan Fund

The Fund, through NESsT SELF LLC, makes secured loans with collateral consisting of equipment, machinery, land, or inventories. Loans made by the Fund were in U.S. Dollars and had an outstanding amount of \$409,799 at December 31, 2020.

Loans are subject to loan agreements with covenants regarding the financial performance of the borrower or borrowing base formulas that must be met before the Organization funds the commitment. Borrowers must maintain certain covenants during the life of the loan to not breach a loan covenant.

The allowance for loan losses is set at 1.5% of a loan's principal value. Management may modify this allowance for specific loans based on a regular review of the loan portfolio. Factors that may affect a loan's allowance include borrower's credit-worthiness, business performance, and current economic conditions. The allowance for loan losses was \$4,347 at December 31, 2020.

During the course of the year, the Fund's portfolio did not experience any loan repayment delays, restructurings or write-offs.

Scheduled repayments for loans receivable for the Fund consist of the following at December 31:

2021	\$	185,840
2022		55,834
2023		27,500
2024		50,625
2025		60,000
Thereafter		30,000
		<u>409,799</u>
Less allowance for loan losses		<u>4,347</u>
	\$	<u><u>405,452</u></u>

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans Receivable (Cont.)

Incubation Program

The incubation program makes unsecured loans repaid in either U.S. Dollars or the local currency of the country where the social enterprise is located. Loans receivable denominated in a foreign currency are translated into U.S. Dollars on the Consolidated Statement of Financial Position. For the year ended December 31, 2020, unrealized foreign currency translation losses of \$4,651 were recognized and are included in the Consolidated Statement of Activities.

At December 31, 2020, incubation program loans receivables 90 days past due amounted to \$32,646, of which \$4,258 was paid in the first quarter of 2021.

Scheduled repayments for loans receivable for the incubation program consist of the following at December 31:

2021		\$	255,330
2022			66,435
2023			47,362
2024			40,868
2025			12,679
			422,674
Less allowance for loan losses (including currency loss)			65,825
		\$	356,849

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans Payable

Investors in the Organization purchased secured and unsecured notes and provided loans for the purpose of providing the resources for making loans to qualified social enterprises in Latin America.

Long-term debt consists of the following at December 31, 2020:

NESsT Incubation Program Loans

Unsecured \$400,000 line of credit from a nonprofit corporation, interest rate of 0%. Monthly payments due as payments are collected from borrowers. The consolidated financial statements do not reflect an adjustment to discount this note.

\$ 86,450

A nonprofit corporation loan, in the maximum amount of \$107,000, dated January 25, 2019, interest rate of 3%, quarterly payments of interest plus any payments received by the Organization in connection with collateral loans are due at maturity on January 25, 2022. Loan is secured by NESsT's interest in certain loans made by its incubation program.

19,897

An individual loan, bears no interest, payable upon demand.

10,000

NESsT SELF LLC Loans

A financial institution loan in the maximum amount of \$1,000,000, dated June 12, 2019, interest rate of 1.5% per year for the first five years and 2% for the next three years, semi-annual interest payments are due until maturity on June 12, 2027.

500,000

A nonprofit corporation loan, dated December 10, 2018, interest rate of 2%, semi-annual interest-only payments are due until maturity on December 10, 2024.

250,000

A nonprofit corporation loan, dated May 1, 2019, interest rate of 1.5%, semi-annual interest-only payments are due until maturity on February 1, 2023.

250,000

Unsecured \$400,000 line of credit from a nonprofit corporation, combined with NESsT line of credit above, interest rate of 0%. Monthly payments due as payments are collected from borrowers. The consolidated financial statements do not reflect an adjustment to discount this note.

130,209

\$ 1,246,556

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans Payable (Cont.)

NESsT SELF LLC debt agreements contain a financial covenant requiring NESsT SELF LLC to maintain a specific financial ratio. The financial covenant places restrictions on NESsT SELF LLC’s activities including its ability to secure debt investment and lending funds. The financial ratio is a debt to equity ratio of 5:1, which includes senior notes in the calculation of debt and net assets as well as long-term subordinated debt in the calculation of equity.

As of December 31, 2020, NESsT SELF LLC’s financial ratio was 0.21, well within the financial covenant. This financial ratio includes the subordinated debt signed from Inter-American Development Bank but not yet drawn.

Estimated long-term debt maturities for the next five years consist of the following at December 31:

2021		\$	726,659
2022			19,897
2023			250,000
2024			<u>250,000</u>
		\$	<u>1,246,556</u>

Note 5. Paycheck Protection Program Loan

In June 2020, the Organization received loan proceeds in the amount of \$82,900 under the Paycheck Protection Program (“PPP”), established as part of the Coronavirus Aid, Relief and Economic Security Act. The loan and accrued interest are forgivable if the proceeds are used for eligible purposes. The Organization expects the entire loan to be forgiven. Any unforgiven portion of the PPP loan would be payable over two years with an interest rate of 1%. Payments are deferred for the first sixteen months. The Organization has elected to account for the loan proceeds under FASB Accounting Standards Codification Topic 958. Under this model, loan is recorded as a conditional grant and the contribution is not recognized until conditions are substantially met or explicitly waived. As of December 31, 2020, the Organization incurred \$82,900 of qualifying expenses and the income is recorded to government grants in the Consolidated Statement of Activities.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Net Assets

The Organization receives grants designated for specific program functions. The net assets available for these purposes are held as net assets with donor restrictions.

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

Satisfaction of program restrictions	\$ <u>947,405</u>
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Note 7. Lease Commitments

NESsT is obligated under two operating leases for buildings. Aggregate rental expense under leases for the year ended December 31, 2020 was \$22,193.

Total future minimum lease payments under the non-cancelable leases for the years ended December 31:

2021	\$ <u>16,260</u>
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Note 8. In-Kind Donations

The Organization received in-kind donations of legal services which are valued at fair market wage for the particular service. The in-kind donated services of \$31,845 are recorded as revenue and expenses in accordance with accounting principles generally accepted in the United States of America.

Note 9. Contingencies

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States of America (U.S). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time and the future effects are unknown. Future potential impacts may include disruptions or restrictions on employees' ability to work or the borrowers' ability to pay the required loan repayments.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Contingencies (Cont.)

NESsT has employees in Brazil, Chile, Peru, and Poland. Under these countries' labor laws, if NESsT terminates their employees NESsT must pay the terminated employee a severance package based on that employee's length of employment. NESsT has not reflected a liability on the Consolidated Statement of Financial Position because management currently has no plans to terminate any employees within those countries.

The Organization's grant activities are subject to inspection and audit by the appropriate funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provision for the possible disallowance of program costs.

Note 10. Related Party Transactions

During the year ended December 31, 2020, the Organization received contributions of \$35,983 from members of the Board of Directors.

SUPPLEMENTARY INFORMATION

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

	NESsT, Inc.	NESsT SELF LLC	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 2,086,803	\$ 1,024,334	\$ --	\$ 3,111,137
Accounts receivable, net	5,515	--	(3,936)	1,579
Grants receivable, net	7,166	--	--	7,166
Interest receivable	2,134	4,231	--	6,365
Loans receivable, net	356,849	405,452	--	762,301
Recoverable grant repayments	24,969	--	--	24,969
Investment in LLC	265,778	--	(265,778)	--
Furniture and equipment, net	13,178	--	--	13,178
Donated artwork	31,500	--	--	31,500
Prepaid expenses	6,854	--	--	6,854
Deposits	3,845	--	--	3,845
Total assets	\$ <u>2,804,591</u>	\$ <u>1,434,017</u>	\$ <u>(269,714)</u>	\$ <u>3,968,894</u>
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 8,187	\$ 3,936	\$ (3,936)	\$ 8,187
Accrued salaries and benefits	85,060	--	--	85,060
Interest payable	--	4,958	--	4,958
Funds available for recoverable grants	24,969	--	--	24,969
Loans payable	116,347	1,130,209	--	1,246,556
Total liabilities	234,563	1,139,103	(3,936)	1,369,730
 NET ASSETS				
Without donor restrictions				
Without donor restrictions	621,841	29,136	(265,778)	385,199
Board designated first loss guarantee reserve	--	107,000	--	107,000
Total net assets without donor restrictions	621,841	136,136	(265,778)	492,199
 With donor restrictions				
Program restricted	1,948,187	--	--	1,948,187
First loss guarantee reserve	--	158,778	--	158,778
Total net assets with donor restrictions	1,948,187	158,778	--	2,106,965
Total net assets	2,570,028	294,914	(265,778)	2,599,164
Total liabilities and net assets	\$ <u>2,804,591</u>	\$ <u>1,434,017</u>	\$ <u>(269,714)</u>	\$ <u>3,968,894</u>

See Notes to Consolidated Financial Statements.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
AND SUBSIDIARY
(A Nonprofit Corporation)**

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	NESsT, Inc.	NESsT SELF LLC	Eliminations	Consolidated Total
OPERATING REVENUE				
Earned revenue				
Contracts	\$ 41,467	\$ --	\$ --	\$ 41,467
Financial revenue (expense)				
Investment returns	8,013	54,248	--	62,261
Interest expense	(1,420)	(13,956)	--	(15,376)
Net financial revenue (expense)	6,593	40,292	--	46,885
Net earned and financial revenue	48,060	40,292	--	88,352
Private contributions and grants	2,243,681	--	--	2,243,681
Government grants	365,060	--	--	365,060
In-kind contributions	31,845	--	--	31,845
Foreign currency loss	(36,284)	--	--	(36,284)
Total operating revenue	2,652,362	40,292	--	2,692,654
EXPENSES				
Program services	1,318,014	4,347	--	1,322,361
General and administrative	152,593	548	--	153,141
Fundraising	69,859	--	--	69,859
Total expenses	1,540,466	4,895	--	1,545,361
Increase in net assets	1,111,896	35,397	--	1,147,293
Net assets, beginning of year	1,458,132	(6,261)	--	1,451,871
Net assets, end of year	\$ 2,570,028	\$ 29,136	\$ --	\$ 2,599,164