

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

**(A Nonprofit Corporation)**

***FINANCIAL REPORT***

**DECEMBER 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Nonprofit Enterprise and Self-sustainability Team, Inc.**  
**(A Nonprofit Corporation)**  
Oakland, California

### Report on Financial Statements

We have audited the accompanying financial statements of **Nonprofit Enterprise and Self-sustainability Team, Inc. (A Nonprofit Corporation)** which comprise of the statement of financial position as of December 31, 2016, and the related statement 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

The Organization's 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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofit Enterprise and Self-sustainability Team, Inc. as of December 31, 2016 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 11 is presented for the purpose of additional analysis of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

*Bowman & Company, L.L.P.*

Bowman & Company, LLP  
Stockton, California  
May 31, 2017

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

**STATEMENT OF FINANCIAL POSITION**

Year Ended December 31, 2016

**ASSETS**

Cash and cash equivalents	\$ 456,787
Accounts receivable, less allowance of \$0	556
Grants receivable, less allowance of \$0	42,376
Loans receivable	287,668
Furniture and equipment, less accumulated depreciation of \$39,605	15,400
Prepaid and other assets	8,566
Deposits	<u>25,415</u>
Total assets	<u><u>\$ 836,768</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 50,942
Accrued vacation and salary payable	74,364
Deferred revenue	3,138
Loans payable	<u>90,999</u>
Total liabilities	<u>219,443</u>

**NET ASSETS**

Unrestricted	35,770
Temporarily restricted	<u>581,555</u>
Total net assets	<u>617,325</u>
Total liabilities and net assets	<u><u>\$ 836,768</u></u>

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

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Private contributions and grants	\$ 697,806	\$ 443,184	\$ 1,140,990
Government grants	262,843	--	262,843
Contracts	634,535	--	634,535
In-kind contributions	34,299	--	34,299
Investment returns	4,895	--	4,895
Foreign currency loss	(2,504)	--	(2,504)
Net assets released from restrictions:			
Private contributions and grants	1,080,495	(1,080,495)	--
Total support and revenue	2,712,369	(637,311)	2,075,058
<b>EXPENSES</b>			
Program services	2,241,119	--	2,241,119
General and administrative	197,033	--	197,033
Fundraising	205,439	--	205,439
Total expenses	2,643,591	--	2,643,591
Change in net assets	68,778	(637,311)	(568,533)
Net assets, beginning of year	(33,008)	1,218,866	1,185,858
Net assets, end of year	\$ 35,770	\$ 581,555	\$ 617,325

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

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (568,533)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,628
Loss on disposition of furniture	704
Loan receivable forgiven	(24,252)
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	5,450
Grants receivable	78,186
Loan receivable	(123,660)
Prepaid and other assets	661
Deposits	(987)
(Decrease) increase in:	
Accounts payable	(1,273)
Accrued vacation and payroll related expenses	(3,099)
Deferred revenue	(84,204)
Loan payable	(119,674)
	<hr/>
Net cash used in operating activities	(834,053)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of equipment	<hr/> (5,218)
Net cash used in investing activities	<hr/> (5,218)

Decrease in cash and cash equivalents	(839,271)
Cash and cash equivalents, beginning of year	<hr/> 1,296,058
Cash and cash equivalents, end of year	\$ <hr/> <hr/> 456,787

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

**Note 1. Summary of Operations and Significant Accounting Policies**

Summary of Operations:

Nonprofit Enterprise and Self-sustainability Team, Inc., "NESsT" (the Organization), a Maryland nonprofit corporation, was founded in 1997. NESsT develops and invests in sustainable social enterprises that solve critical social problems in emerging market countries. NESsT's major support is from private contributors, grants and consulting income. The financial statements represent all of NESsT's operations worldwide including the USA, Europe and Latin America.

A summary of significant accounting policies is as follows:

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets. The net asset categories are as follows:

Unrestricted net assets:

Unrestricted net assets are those net assets presently available for use by NESsT at the discretion of the Board of Directors.

Temporarily restricted net assets:

Temporarily restricted net assets reflect donor contributions with restrictions that expire when a time restriction ends or purpose restriction is accomplished.

Cash and Cash Equivalents

For purposes of the 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, Argentina and the United States. The balances are insured with their respective governments. At December 31, 2016, balances in Hungary and Romania were in excess of insured limits by \$93,510.

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 to fifteen years using the straight-line method.



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

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

Allowance for Bad Debts

Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however the effect of using the direct write-off method is not materially different from the results that would be obtained under the allowance method.

Fair Value of Financial Instruments

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

Revenue Recognition

The Organization recognizes fee-for-service funds received from grants and contracts when earned under the terms outlined in the grants and contracts. The unearned portion is recorded as deferred income. Cost reimbursement revenue from grants and contracts are recognized when the associated expenses are recognized.

Income Taxes

The Organization has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and applicable state regulations. Accordingly, no provision for income tax has been included in these financial statements.

The Organizations' Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through May 31, 2017, the date on which the financial statements were available to be issued.

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

**Note 2. Loans Receivable**

In March 2010, the Organization loaned \$56,000 to Kek Madar Alapitvany (the Foundation), a foundation in Hungary, for the purposes of purchasing a new building to house the Foundation's operations and to implement the expansion of a restaurant, Izlelo, which is part of the Foundation's social enterprise program. The terms of the unsecured loan is six years with \$9,167 annual principal payments and annual transaction fee of 1.5% calculated on the outstanding balance. The unsecured loans were not discounted to account for below market interest rates as the discounted amount would not be material to the financial statements. The transaction fee is forgiven if Izlelo meets its financial projections or failure to meet the projections is less than 5%. The outstanding balance at December 31, 2015 was \$9,167. The loan receivable was paid off in 2016.

As of December 31, 2013, \$27,932 had been loaned to Fruit of Care Nonprofit Kft (FoC), a nonprofit limited liability company in Hungary, for the purpose of supporting FoC's business plan for the expansion of their social enterprise. The loans mature in 2016 and 2017. Interest on one loan was forgiven and the other loan is interest free. The unsecured loans were not discounted to account for below market interest rates as the discounted amount would not be material to the financial statements. The outstanding balance at December 31, 2015 was \$24,252. The loan receivable was forgiven in 2016.

In June 2015, the Organization awarded a recoverable grant in the amount of \$35,000 to Upasol, a foundation in Chile that operates a free collection service for recyclable household goods, for the purpose of acquiring equipment and investing in the infrastructure of Upasol. The terms of the unsecured recoverable grant include five annual principal payments of \$7,000, with the first payment due May 2016. The recoverable grant is interest free. The recoverable grant is not discounted to account for the below market interest rate as the discounted amount would not be material to the financial statements. The outstanding balance of the recoverable grant at December 31, 2016 and 2015 was \$28,000 and \$35,000, respectively.

In September 2016, the Organization awarded a recoverable grant in the amount of \$45,000 and in July 2015, the Organization loaned \$49,915 and awarded a recoverable grant in the amount of \$27,536 to Inkamoss, a Peruvian social enterprise that trains and supports small farmer suppliers in remote Andean communities to process sphagnum moss, for the purpose of acquiring two production lines and investing in the infrastructure of Inkamoss. The terms of the \$45,000 unsecured interest free recoverable grant include sixty monthly payments of \$750 beginning September 2018. The terms of the \$49,915 unsecured loan include thirty-six monthly payments, starting January 2016, of \$1,474 including interest at 4% per annum. The terms of the \$27,536 unsecured interest free recoverable grant include twenty-four monthly payments of \$1,147 beginning January 2017. The unsecured loan and recoverable grants are not discounted to account for below market interest rates as the discounted amount would not be material to the financial statements. The outstanding balance of the loan and recoverable grants at December 31, 2016 and 2015 was \$109,615 and \$80,589, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Loans Receivable (Cont.)**

In July 2015, the Organization loaned \$15,000 to Kiva, a web-based business that allows website users throughout the world to connect with organizations that provide small loans to individuals or groups in developing countries, to assist in increasing the popularity of Inkamoss on the Kiva website. The loan is interest free and is due December 2018. The unsecured loans are not discounted to account for below market interest rates as the discounted amount would not be material to the financial statements. The outstanding balance of the loan at December 31, 2016 and 2015 was \$11,542 and \$15,000, respectively.

In August 2016, the Organization loaned \$20,005 to Retalhar, a Brazilian social enterprise that specializes in recycling uniforms as a sustainable way to dispose their clients used textiles while assisting their clients in meeting environmental regulations for, for the purpose of strengthening Retalhar's team, including hiring two new key positions, and making essential improvements to their processing center. The terms of the unsecured loan include twenty-four monthly payments, with the first payment due February 2020. The loan is interest free. The loan is not discounted to account for the below market interest rate as the discounted amount would not be material to the financial statements. The outstanding balance of the loan at December 31, 2016 was \$20,005.

In August and November 2016, the Organization loaned \$100,000 and \$25,000 to Suritex, Peruvian social enterprise that lowers the cost of processing the raw fiber through solar-powered technology and passes on these savings by buying the fiber from the alpaqueros at fair market price, for the acquisition and implementation of solar panels, reparation and improvement of the equipment used in the operations as well as for the support of the necessities for working capital. The terms of the \$100,000 unsecured loan include sixty monthly payments, starting August 2016, of \$1,842 including interest at 4% per annum. The terms of the \$25,000, unsecured loan include sixty monthly payments, starting October 2016, of \$460, including interest at 4% per annum. The outstanding balance of the loans at December 31, 2016 was \$118,589.

**Note 3. Loans Payable**

Unsecured \$200,000 line of credit, Kiva, interest rate of 0%. Monthly payments due as payments are collected from Upasol and Inkamoss' loan receivables. The financial statements do not reflect an adjustment to discount this note.

	\$ <u>90,900</u>
Less current maturities	<u>33,347</u>
Total long-term debt	\$ <u><u>57,553</u></u>

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

**Note 3. Loans Payable (Cont.)**

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

2017	\$	33,347
2018		28,553
2019		12,000
2020		12,000
2021		<u>5,000</u>
	\$	<u>90,900</u>

**Note 4. Lease Commitments**

NESsT is obligated under several operating leases for buildings. Aggregate rental expense under leases for the year ended December 31, 2016 was \$47,385.

Total future minimum lease payments under the non-cancelable leases for the years ended December 31, 2017, 2018 and 2019 are \$19,200 annually.

**Note 5. 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 \$34,299 are recorded as revenue and expenses, in accordance with accounting principles generally accepted in the United States of America.

**Note 6. Contingent Liabilities**

NESsT has employees in Brazil, Hungary, Peru, and Romania. 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 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 7. Related Party Transactions**

During the year ended December 31, 2016, the Organization received contributions of \$15,643 from members of the Board of Directors.

## **SUPPLEMENTARY INFORMATION**

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

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2016

	Program Expenses	General and Administrative	Fundraising	Total
Salaries and payroll taxes	\$ 871,866	\$ 167,319	\$ 130,717	\$ 1,169,902
Grants and allocations	754,995	--	--	754,995
Travel	135,339	532	21,483	157,354
Contractors	226,682	577	19,507	246,766
In-kind expenses	26,344	4,742	3,688	34,774
Occupancy	48,733	8,772	6,823	64,328
Event supplies and photography	44,265	18	8,142	52,425
Professional fees	19,587	3,526	2,742	25,855
Miscellaneous expenses	29,484	4,718	950	35,152
Communication	29,685	586	41	30,312
Accounting fees	14,465	3,755	--	18,220
Conferences and conventions	1,155	512	8,520	10,187
Printing and publications	26,386	26	2,485	28,897
Supplies, small equipment purchases and photocopies	3,852	1,653	110	5,615
Postage and shipping	1,653	297	231	2,181
Total expenses before depreciation	2,234,491	197,033	205,439	2,636,963
Depreciation	6,628	--	--	6,628
Total expenses	\$ <u>2,241,119</u>	\$ <u>197,033</u>	\$ <u>205,439</u>	\$ <u>2,643,591</u>