

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

(A Nonprofit Corporation)

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary 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 Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nonprofit Enterprise and Self-sustainability Team, Inc. and Subsidiary'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.

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 purposes of additional analysis and is not a required part 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent in all material aspects, with the audited consolidated financial statements from which it has been derived.



Bowman & Company, LLP
Stockton, California
April 30, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(With Comparative Totals for 2020)

ASSETS	2021	2020
Cash and cash equivalents	\$ 3,116,728	\$ 3,111,137
Accounts receivable, less allowance of \$0	300	1,579
Grants receivable, less allowance of \$0	663,879	7,166
Interest receivable	21,636	6,365
Loans receivable, less allowance of \$19,386	1,893,891	762,301
Recoverable grant repayments	-	24,969
Furniture and equipment, less accumulated depreciation of \$21,295	19,896	13,178
Donated artwork	31,500	31,500
Prepaid expenses	8,182	6,854
Deposits	3,845	3,845
Total assets	<u>\$ 5,759,857</u>	<u>\$ 3,968,894</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 10,851	\$ 8,187
Accrued salaries and benefits	98,820	85,060
Interest payable	3,771	4,958
Grants payable	23,000	-
Funds available for recoverable grants	-	24,969
Loans payable	1,723,876	1,246,556
Total liabilities	<u>1,860,318</u>	<u>1,369,730</u>
NET ASSETS		
Without donor restrictions		
Without donor restrictions	832,732	385,199
Board designated first loss guarantee reserve	107,000	107,000
Total net assets without donor restrictions	<u>939,732</u>	<u>492,199</u>
With donor restrictions		
Program restricted	2,801,029	1,948,187
First loss guarantee reserve	158,778	158,778
Total net assets with donor restrictions	<u>2,959,807</u>	<u>2,106,965</u>
Total net assets	<u>3,899,539</u>	<u>2,599,164</u>
Total liabilities and net assets	<u>\$ 5,759,857</u>	<u>\$ 3,968,894</u>

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

Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUE				
Earned revenue				
Contracts	\$ 17,123	\$ --	\$ 17,123	\$ 41,467
Financial revenue (expense)				
Investment returns	85,812	--	85,812	62,261
Interest expense	(16,375)	--	(16,375)	(15,376)
Net financial revenue (expense)	69,437	--	69,437	46,885
Net earned and financial revenue	86,560	--	86,560	88,352
Private contributions and grants	695,946	2,416,550	3,112,496	2,243,681
Government grants	427,900	--	427,900	365,060
In-kind contributions	28,899	--	28,899	31,845
Foreign currency loss	(67,444)	--	(67,444)	(36,284)
Net assets released from restrictions:				
Private contributions and grants	1,546,499	(1,546,499)	--	--
Government grants	17,209	(17,209)	--	--
Total operating revenue	2,735,569	852,842	3,588,411	2,692,654
EXPENSES				
Program services	1,951,059	--	1,951,059	1,322,361
General and administrative	195,738	--	195,738	153,141
Fundraising	141,239	--	141,239	69,859
Total expenses	2,288,036	--	2,288,036	1,545,361
Increase in net assets	447,533	852,842	1,300,375	1,147,293
Net assets, beginning of year	492,199	2,106,965	2,599,164	1,451,871
Net assets, end of year	\$ 939,732	\$ 2,959,807	\$ 3,899,539	\$ 2,599,164

See Notes to Consolidated Financial Statements.

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

Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021				2020
	Program Expenses	General and Administrative	Fundraising	Total	
Salaries and payroll taxes	\$ 1,162,855	\$ 133,977	\$ 140,450	\$ 1,437,282	\$ 1,025,513
Grants and allocations	419,108	--	--	419,108	180,678
Professional fees	62,899	9,777	600	73,276	38,842
Contractors	72,664	--	--	72,664	111,955
Accounting fees	23,383	33,580	--	56,963	36,378
Communication	30,973	5,354	182	36,509	7,013
Occupancy	27,709	5,242	--	32,951	32,394
Event expenses	32,148	--	--	32,148	11,785
In-kind expenses	28,899	--	--	28,899	31,845
Travel	21,331	--	--	21,331	8,328
Legal fees	19,381	1,232	--	20,613	10,605
Provision for loan loss reserve	15,459	--	--	15,459	4,347
Miscellaneous expenses	10,784	2,790	--	13,574	22,894
Conferences and conventions	8,742	630	--	9,372	6,006
Bank fees	5,656	2,536	4	8,196	6,042
Supplies and small equipment purchases	3,178	366	3	3,547	5,656
Postage and shipping	381	254	--	635	404
Total expenses before depreciation	1,945,550	195,738	141,239	2,282,527	1,540,685
Depreciation	5,509	--	--	5,509	4,676
Total expenses	<u>\$ 1,951,059</u>	<u>\$ 195,738</u>	<u>\$ 141,239</u>	<u>\$ 2,288,036</u>	<u>\$ 1,545,361</u>

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
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CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,300,375	\$ 1,147,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,509	4,676
Change in allowance for foreign exchange rate loss	(17,683)	--
Change in loans receivable loss reserve	(33,103)	--
Loan payable forgiven	10,000	--
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	1,279	37,416
Grants receivable	(656,713)	273,902
Interest receivable	(15,271)	(5,832)
Loans receivable	(1,080,804)	(131,418)
Prepaid expenses	(1,328)	(680)
(Decrease) increase in:		
Accounts payable	2,664	(40,242)
Accrued salaries and benefits	13,760	30,879
Interest payable	(1,187)	4,958
Grants payable	23,000	--
Advance collections	--	(10,000)
Loans payable	467,320	410,590
Net cash provided by operating activities	<u>17,818</u>	<u>1,721,542</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	<u>(12,227)</u>	<u>(7,102)</u>
Net cash used in investing activities	<u>(12,227)</u>	<u>(7,102)</u>
Increase in cash and cash equivalents	5,591	1,714,440
Cash and cash equivalents, beginning of year	<u>3,111,137</u>	<u>1,396,697</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,116,728</u></u>	<u><u>\$ 3,111,137</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for interest	<u><u>\$ 17,562</u></u>	<u><u>\$ 10,418</u></u>

See Notes to Consolidated Financial Statements.

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
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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 1,300 social enterprises. Prior to the incorporation of NESsT SELF LLC, the incubation program provided a limited number of loans 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 makes 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 the Organization. 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.
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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, Peru, Romania, Poland, and the United States. The Organization periodically maintains cash on deposit at banks in excess of insurance limits with their respective governments. The Organization has not experienced any losses in such accounts.

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, 2021, there were no impairment losses recognized.

Donated Artwork

Donated artwork was recorded at the fair market value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounts and Grants Receivable

Accounts and grants 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.

Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities. All grants payable are due within one year of the Consolidated Statement of Financial Position.

Fair Value of Financial Instruments

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

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

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

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.

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 2021, the Organization received restricted grants totaling \$2,328,784 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.

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 rent expense, which is allocated on a square-footage basis, and salaries and employee benefits, which are allocated on the basis of estimates of time and effort. Other expenses are allocated on the ratio of each program's expense to total expenses.

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

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

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.

Subsequent Events

Management has evaluated subsequent events through April 30, 2022, 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. The Organization does not anticipate the general expenditures to exceed cash on hand.

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, 2021:

Cash and cash equivalents	\$ 3,116,728
Accounts receivable	300
Grants receivable	663,879
Interest receivable	21,636
Loans receivable – current portion	622,198
Total financial assets	<u>4,424,741</u>
Less amounts not available to be used within one year:	
Board designated net assets without donor restrictions	(107,000)
Net assets with donor restrictions	<u>(2,959,807)</u>
	<u>(3,066,807)</u>
Total financial assets available to meet general expenditures within one year	\$ <u>1,357,934</u>

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

Note 3. Loans Receivable

At December 31, 2021, the Organization had 7 loans outstanding in its Fund and 39 loans outstanding in its incubation program. These loans mature at various times.

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 \$1,292,386 at December 31, 2021.

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 their 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 \$19,386 at December 31, 2021.

During the year ended December 31, 2021, 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:

2022	\$ 362,868
2023	686,714
2024	152,804
2025	60,000
2026	<u>30,000</u>
	1,292,386
Less allowance for loan losses	<u>19,386</u>
	\$ <u>1,273,000</u>

NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
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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, 2021, unrealized foreign currency translation losses of \$6,582 were recognized and are included in the Consolidated Statement of Activities.

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

2022	\$	258,476
2023		260,013
2024		78,344
2025		20,772
2026		3,286
	\$	<u>620,891</u>

**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, 2021:

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.

\$ 63,370

NESsT SELF LLC Loans

A financial institution unsecured 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.

1,000,000

A nonprofit corporation unsecured 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 unsecured 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.

160,506

\$ 1,723,876

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

Note 4. Loans Payable (Cont.)

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

2022	\$ 115,976
2023	330,142
2024	37,758
2025	<u>1,250,000</u>
	<u>\$ 1,723,876</u>

Note 5. Paycheck Protection Program Loan

In March 2021, the Organization received loan proceeds in the amount of \$77,900 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 entire loan was forgiven. 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, 2021, the Organization incurred \$77,900 of qualifying expenses and the income is recorded in government grants in the Consolidated Statement of Activities.

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

Note 6. Net Assets

At December 31, 2021, the Board of Directors designated \$107,000 of the net assets without donor restriction in the event of potential non-payment of loans receivable.

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 with donor restrictions were follows as of December 31, 2021:

Restricted by country/region	
Latin America	\$ 1,397,747
Central Europe	609,608
Poland	176,876
Brazil	169,745
United States	164,491
Peru	79,532
Restricted for loan fund	203,030
Restricted for first loss guarantee reserve	<u>158,778</u>
	<u>\$ 2,959,807</u>

Net assets released from net assets with donor restrictions during the year ended December 31, 2021 were as follows:

Latin America	\$ 673,016
Poland	375,769
Loan fund	238,313
Peru	145,248
Brazil	98,586
United States	<u>32,776</u>
Satisfaction of program restrictions	<u>\$ 1,563,708</u>

Note 7. Lease Commitments

NESsT is obligated under an operating lease for a building. Aggregate rental expense under this lease for the year ended December 31, 2021 was \$19,692.

Total future minimum lease payments of \$326 under this non-cancelable lease is due in 2022.

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

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 \$28,899 are recorded as revenue and expenses in the Consolidated Statement of Activities 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. 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.

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 had no plans at December 31, 2021 to terminate any employees within those countries. Subsequent to year-end an employee was terminated and the Organization paid a severance package of \$52,000, which is not reflected in the Consolidated Statement of Finance Position.

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 Transaction

During the year ended December 31, 2021, the Organization received contributions of \$31,748 from members of the Board of Directors.

SUPPLEMENTARY INFORMATION

**NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

	NESsT, Inc.	NESsT SELF LLC	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 2,402,242	\$ 714,486	\$ --	\$ 3,116,728
Accounts receivable, net	2,175	--	(1,875)	300
Grants receivable, net	663,879	--	--	663,879
Interest receivable	2,139	19,497	--	21,636
Loans receivable, net	620,891	1,273,000	--	1,893,891
Investment in LLC	265,778	--	(265,778)	--
Furniture and equipment, net	19,896	--	--	19,896
Donated artwork	31,500	--	--	31,500
Prepaid expenses	8,182	--	--	8,182
Deposits	3,845	--	--	3,845
Total assets	<u>\$ 4,020,527</u>	<u>\$ 2,006,983</u>	<u>\$ (267,653)</u>	<u>\$ 5,759,857</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 10,851	\$ 1,875	\$ (1,875)	\$ 10,851
Accrued salaries and benefits	98,820	--	--	98,820
Interest payable	--	3,771	--	3,771
Grants payable	23,000	--	--	23,000
Loans payable	63,370	1,660,506	--	1,723,876
Total liabilities	<u>196,041</u>	<u>1,666,152</u>	<u>(1,875)</u>	<u>1,860,318</u>
NET ASSETS				
Without donor restrictions				
Without donor restrictions	1,023,457	75,053	(265,778)	832,732
Board designated first loss guarantee reserve	--	107,000	--	107,000
Total net assets without donor restrictions	<u>1,023,457</u>	<u>182,053</u>	<u>(265,778)</u>	<u>939,732</u>
With donor restrictions				
Program restricted	2,801,029	--	--	2,801,029
First loss guarantee reserve	--	158,778	--	158,778
Total net assets with donor restrictions	<u>2,801,029</u>	<u>158,778</u>	<u>--</u>	<u>2,959,807</u>
Total net assets	<u>3,824,486</u>	<u>340,831</u>	<u>(265,778)</u>	<u>3,899,539</u>
Total liabilities and net assets	<u>\$ 4,020,527</u>	<u>\$ 2,006,983</u>	<u>\$ (267,653)</u>	<u>\$ 5,759,857</u>

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

Year Ended December 31, 2021

	<u>NESsT, Inc.</u>	<u>NESsT SELF LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
OPERATING REVENUE				
Earned revenue				
Contracts	\$ 17,123	\$ --	\$ --	\$ 17,123
Financial revenue (expense)				
Investment returns	5,959	79,853	--	85,812
Interest expense	(208)	(16,167)	--	(16,375)
Net financial revenue (expense)	<u>5,751</u>	<u>63,686</u>	<u>--</u>	<u>69,437</u>
Net earned and financial revenue	22,874	63,686	--	86,560
Private contributions and grants	3,112,496	--	--	3,112,496
Government grants	427,900	--	--	427,900
In-kind contributions	28,899	--	--	28,899
Foreign currency loss	<u>(67,444)</u>	<u>--</u>	<u>--</u>	<u>(67,444)</u>
Total operating revenue	<u>3,524,725</u>	<u>63,686</u>	<u>--</u>	<u>3,588,411</u>
EXPENSES				
Program services	1,934,128	16,931	--	1,951,059
General and administrative	194,900	838	--	195,738
Fundraising	<u>141,239</u>	<u>--</u>	<u>--</u>	<u>141,239</u>
Total expenses	<u>2,270,267</u>	<u>17,769</u>	<u>--</u>	<u>2,288,036</u>
Increase in net assets	1,254,458	45,917	--	1,300,375
Net assets, beginning of year	<u>2,570,028</u>	<u>29,136</u>	<u>--</u>	<u>2,599,164</u>
Net assets, end of year	<u>\$ 3,824,486</u>	<u>\$ 75,053</u>	<u>\$ --</u>	<u>\$ 3,899,539</u>