

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

(A Nonprofit Corporation)

FINANCIAL REPORT

DECEMBER 31, 2018

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B O W M A N
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, 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, 2018 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 12 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.

Report on Summarized Comparative Information

We have previously audited the Organization 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statement in our report dated August 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material aspects, with the audited financial statements from which it has been derived.

Bowman & Company, L.L.P.

Bowman & Company, LLP
Stockton, California
September 15, 2019

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

STATEMENT OF FINANCIAL POSITION

Year Ended December 31, 2018
(With Comparative Totals for 2017)

ASSETS	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 684,436	\$ 534,264
Accounts receivable, less allowance of \$0	357,767	28,623
Grants receivable, less allowance of \$0	9,868	33,729
Loans receivable	496,507	486,827
Furniture and equipment, less accumulated depreciation of \$9,965	11,599	13,366
Donated artwork	21,000	10,500
Prepaid and other assets	8,968	7,133
Deposits	<u>21,061</u>	<u>21,061</u>
Total assets	<u><u>\$ 1,611,206</u></u>	<u><u>\$ 1,135,503</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 30,785	\$ 15,887
Accrued vacation	68,734	69,387
Loans payable	<u>236,769</u>	<u>178,081</u>
Total liabilities	<u>336,288</u>	<u>263,355</u>
 NET ASSETS		
Without donor restrictions	223,226	163,488
With donor restrictions	<u>1,051,692</u>	<u>708,660</u>
Total net assets	<u>1,274,918</u>	<u>872,148</u>
Total liabilities and net assets	<u><u>\$ 1,611,206</u></u>	<u><u>\$ 1,135,503</u></u>

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

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Private contributions and grants	\$ 941,004	\$ 883,049	\$ 1,824,053	\$ 1,719,344
Government grants	39,777	--	39,777	214,585
Contracts	298,585	--	298,585	287,682
In-kind contributions	55,024	--	55,024	38,845
Investment returns	(727)	--	(727)	6,402
Foreign currency gain (loss)	(19,479)	--	(19,479)	10,034
Net assets released from restrictions:				
Private contributions and grants	540,017	(540,017)	--	--
Total support and revenue	<u>1,854,201</u>	<u>343,032</u>	<u>2,197,233</u>	<u>2,276,892</u>
EXPENSES				
Program services	1,517,573	--	1,517,573	1,718,435
General and administrative	193,235	--	193,235	182,127
Fundraising	83,655	--	83,655	121,507
Total expenses	<u>1,794,463</u>	<u>--</u>	<u>1,794,463</u>	<u>2,022,069</u>
Increase in net assets	59,738	343,032	402,770	254,823
Net assets, beginning of year	<u>163,488</u>	<u>708,660</u>	<u>872,148</u>	<u>617,325</u>
Net assets, end of year	<u>\$ 223,226</u>	<u>\$ 1,051,692</u>	<u>\$ 1,274,918</u>	<u>\$ 872,148</u>

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

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 402,770	\$ 254,823
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,186	4,186
Donation of artwork	(10,500)	(10,500)
Loss on disposal of furniture and equipment	5,159	957
Loan payable forgiven	(24,252)	(24,252)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(329,144)	(28,067)
Grants receivable	23,861	8,647
Loan receivable	(9,680)	(199,159)
Prepaid and other assets	(1,835)	1,433
Deposits	--	4,354
(Decrease) increase in:		
Accounts payable	14,898	(35,055)
Accrued vacation and payroll related expenses	(653)	(4,977)
Deferred revenue	--	(3,138)
Loans payable	82,940	111,334
	<u>157,750</u>	<u>80,586</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	<u>(7,578)</u>	<u>(3,109)</u>
Net cash used in investing activities	<u>(7,578)</u>	<u>(3,109)</u>
Increase in cash and cash equivalents	150,172	77,477
Cash and cash equivalents, beginning of year	<u>534,264</u>	<u>456,787</u>
Cash and cash equivalents, end of year	<u>\$ 684,436</u>	<u>\$ 534,264</u>

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

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 invests in social enterprises that generate dignified jobs for people most in need. 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 their 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.

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 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 and the United States. The balances are insured with their respective governments. At December 31, 2018, balances in United States and Peru were in excess of insured limits by \$278,417.

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.
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

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

Furniture and Equipment (Cont.)

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. At December 31, 2018, there were no impairment losses recognized.

Donated Artwork

Donated artwork was recorded at the fair market value.

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, grants receivable, accrued vacation 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.

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 Statement of Activities as net assets released from donor restrictions.

NONPROFIT ENTERPRISE AND SELF-SUSTAINABILITY TEAM, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS

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

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 financial statements. The Corporation'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 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.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

Management has evaluated subsequent events through September 15, 2019, the date on which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

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 grants 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 statement of financial position at December 31, 2018:

Cash and cash equivalents	\$ 684,439
Accounts receivable	357,767
Loans receivable	71,874
Grants receivable	<u>9,868</u>
Total financial assets	1,123,948
Less amounts not available to be used within one year:	
Net Assets with Donor Restrictions	<u>(1,051,692)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 72,256</u>

Note 3. Loans Receivable

At December 31, 2018, the Organization had made 20 unsecured loans totaling \$496,507. Terms of the loans receivable include interest rates ranging from zero percent to four percent annually.

These loans were made to enterprises in Peru and Brazil to support the following activities which include:

- Starting a cacao extraction processing business, by a company who purchases cocoa from local farming communities
- Acquiring and implementing solar technology for processing raw alpaca fiber
- Assisting in building a new coffee roasting plant for a company working with small coffee farmers in Peru
- Purchasing fish processing equipment and refrigerated vehicles for a company sourcing from small fishing communities, and selling to restaurants and retail shops
- Opening a retail store and distribution center for a company that helps inmates gain skills in fashion and design
- Supporting a digital marketing strategy and tools for a company that trains and hires women for a cleaning service

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Loans Payable

Unsecured \$400,000 line of credit, Kiva, interest rate of 0%. Monthly payments due as payments are collected from Upasol, Inka Moss, Accesol (dba Café Compadre), Project Pieta, and Digital Investments (dba Housekipp). The financial statements do not reflect an adjustment to discount this note.

\$ 236,769

Less current maturities 103,416

Total long-term debt \$ 133,353

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

2019 \$ 103,416

2020 86,678

2021 35,546

2022 11,128

\$ 236,769

Note 5. Lease Commitments

NESsT is obligated under several operating leases for buildings. Aggregate rental expense under leases for the year ended December 31, 2018 was \$46,918.

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

2019 \$ 21,178

2020 20,400

\$ 41,578

Note 6. 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 \$55,024 are recorded as revenue and expenses, in accordance with accounting principles generally accepted in the United States of America.

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

Note 7. 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 8. Related Party Transactions

During the year ended December 31, 2018, the Organization received contributions of \$39,834 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, 2018
(With Comparative Totals for 2017)

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 693,476	\$ 92,576	\$ 71,281	\$ 857,333
Grants and allocations	339,635	--	--	339,635
Travel	60,289	1,554	7,799	69,642
Contractors	216,256	--	--	216,256
In-kind expenses	35,433	9,090	--	44,523
Occupancy	40,025	16,684	243	56,952
Event supplies and photography	10,245	--	--	10,245
Professional fees	33,493	--	--	33,493
Miscellaneous expenses	25,676	8,170	2,963	36,809
Communication	8,615	796	216	9,627
Accounting fees	14,821	50,717	--	65,538
Conferences and conventions	7,815	--	875	8,690
Printing and publications	3,804	166	104	4,074
Supplies, small equipment purchases and photocopies	6,046	15	64	6,125
Legal fees	17,604	12,401	--	30,005
Postage and shipping	684	1,066	110	1,860
Total expenses before depreciation	1,513,917	193,235	83,655	1,790,807
Depreciation	3,656	--	--	3,656
Total expenses	\$ <u>1,517,573</u>	\$ <u>193,235</u>	\$ <u>83,655</u>	\$ <u>1,794,463</u>