



Financial Statements

For the Years Ended
December 31, 2023 and 2022
With Independent Auditors' Report Thereon

NEXLEAF ANALYTICS

(A California Not-For-Profit Corporation)
December 31, 2023 and 2022

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 17

NEXLEAF ANALYTICS OFFICE
4858 W Pico Blvd #347
Los Angeles, California 90019
Office: 213-915-6729, Fax: 213-402-2961
Email: info@nexleaf.org
Web Site Address: www.nexleaf.org

Index

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Nexleaf Analytics

Opinion

We have audited the accompanying financial statements of Nexleaf Analytics (a California nonprofit organization), which comprise the statement of financial position as December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nexleaf Analytics as of December 31, 2023 and 2022, and the changes in 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nexleaf Analytics and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nexleaf Analytics' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

Page 2

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nexleaf Analytics' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nexleaf Analytics' 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.

Regalia & Associates

Danville, California
September 2, 2024

NEXLEAF ANALYTICS**Statements of Financial Position
December 31, 2023 and 2022****ASSETS**

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 9,432,723	\$ 11,619,431
Grants, pledges, and accounts receivable (net of allowance)	641,815	793,454
Investments	-	731,227
Prepaid expenses and other assets	420,291	379,939
Total current assets	10,494,829	13,524,051
Noncurrent assets:		
Investment in Nexleaf India	552,632	552,632
Operating right of use asset - premises	-	8,360
Total noncurrent assets	552,632	560,992
	\$ 11,047,461	\$ 14,085,043

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 227,864	\$ 216,027
Accrued payroll and related benefits	100,073	73,679
Unearned revenue	164,600	124,347
Operating lease liability - current portion	-	3,276
Note payable - current portion	500,000	500,000
Total current liabilities	992,537	917,329
Long term liabilities:		
Operating lease liability - noncurrent portion	-	5,512
Total liabilities	992,537	922,841
Net assets:		
Without donor restrictions	9,204,924	13,162,202
With donor restrictions	850,000	-
Total net assets	10,054,924	13,162,202
	\$ 11,047,461	\$ 14,085,043

NEXLEAF ANALYTICS

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023**

	Net Assets		Total 2023	Total 2022
	Without Donor Restrictions	With Donor Restrictions		
<i>Changes in net assets:</i>				
Revenue and support:				
Earned revenue:				
Device installations	\$ 1,710,934	\$ -	\$ 1,710,934	\$ 1,257,229
Program service fees	129,434	-	129,434	116,124
Investment income	355,132	-	355,132	21,807
Other income (net)	341,816	-	341,816	16,735
Total earned revenue	2,537,316	-	2,537,316	1,411,895
Contributed support:				
Foundation and government grants	3,066,269	850,000	3,916,269	14,091,988
Individual and trust contributions	8,000	-	8,000	50,863
Corporate contributions	-	-	-	25,000
Net assets released from restrictions	-	-	-	-
Total contributed support	3,074,269	850,000	3,924,269	14,167,851
Total revenue and support	5,611,585	850,000	6,461,585	15,579,746
Expenses:				
Programs:				
Vaccine	6,721,519	-	6,721,519	4,559,826
Air Pollution	-	-	-	235,301
Hope and Innovation	-	-	-	662,222
Total programs	6,721,519	-	6,721,519	5,457,349
Management and general	2,564,554	-	2,564,554	1,065,599
Fundraising	282,790	-	282,790	328,105
Total expenses	9,568,863	-	9,568,863	6,851,053
Increase (decrease) in net assets	(3,957,278)	850,000	(3,107,278)	8,728,693
Net assets at beginning of year	13,162,202	-	13,162,202	4,433,509
Net assets at end of year	\$ 9,204,924	\$ 850,000	\$ 10,054,924	\$ 13,162,202

NEXLEAF ANALYTICS

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022**

	Net Assets		Total 2022	Total 2021
	Without Donor Restrictions	With Donor Restrictions		
<i>Changes in net assets:</i>				
Revenue and support:				
Earned revenue:				
Device installations	\$ 1,257,229	\$ -	\$ 1,257,229	\$ 390,538
Program service fees	116,124	-	116,124	128,591
Investment income	21,807	-	21,807	317
Other income (net)	16,735	-	16,735	6,576
Total earned revenue	1,411,895	-	1,411,895	526,022
Contributed support:				
Foundation and government grants	12,692,383	1,399,605	14,091,988	4,260,351
Individual and trust contributions	50,863	-	50,863	55,161
Corporate contributions	25,000	-	25,000	10,025
Net assets released from restrictions	2,971,930	(2,971,930)	-	-
Total contributed support	15,740,176	(1,572,325)	14,167,851	4,325,537
Total revenue and support	17,152,071	(1,572,325)	15,579,746	4,851,559
Expenses:				
Programs:				
Vaccine	4,559,826	-	4,559,826	2,311,418
Air Pollution	235,301	-	235,301	368,339
Hope and Innovation	662,222	-	662,222	506,196
Total programs	5,457,349	-	5,457,349	3,185,953
Management and general	1,065,599	-	1,065,599	736,011
Fundraising	328,105	-	328,105	266,987
Total expenses	6,851,053	-	6,851,053	4,188,951
Increase (decrease) in net assets	10,301,018	(1,572,325)	8,728,693	662,608
Net assets at beginning of year	2,861,184	1,572,325	4,433,509	3,770,901
Net assets at end of year	\$ 13,162,202	\$ -	\$ 13,162,202	\$ 4,433,509

NEXLEAF ANALYTICS

**Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022**

	2023	2022
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (3,107,278)	\$ 8,728,693
Adjustments to reconcile to cash provided by (used for) operating activities:		
Amortization of operating right of use asset and lease liabilities	(428)	(56)
Changes in:		
Grants, pledges, and accounts receivable	151,639	759,431
Prepaid expenses and other current assets	(40,352)	(367,551)
Accounts payable and accrued liabilities	11,837	(247,483)
Accrued payroll and related benefits	26,394	(163)
Unearned revenue	40,253	13,088
Cash provided by (used for) operating activities	(2,917,935)	8,885,959
<i>Investing activities:</i>		
Disposition (acquisition) of investments and/or reinvestment of earnings	731,227	(2,246)
Cash provided by (used for) investing activities	731,227	(2,246)
<i>Financing activities:</i>		
Proceeds from note payable	-	500,000
Payments applied to note payable	-	(500,000)
Cash provided by (used for) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(2,186,708)	8,883,713
Cash and cash equivalents at beginning of year	11,619,431	2,735,718
Cash and cash equivalents at end of year	\$ 9,432,723	\$ 11,619,431
<i>Additional cash flow information:</i>		
Interest paid	\$ 22,534	\$ 13,562
State registration taxes paid	\$ 400	\$ 400

NEXLEAF ANALYTICS

**Statement of Functional Expenses
For the Year Ended December 31, 2023**

	Vaccine	Air Pollution	Medical Equipment Program	Total Programs	Manage- ment and General	Fund- raising	2023 Total
Bank charges	\$ 3,996	\$ 38	\$ -	\$ 4,034	\$ 4,589	\$ -	\$ 8,623
Cost of device installations	1,351,029	-	-	1,351,029	-	-	1,351,029
Equipment, computers and software	234,095	-	4,452	238,547	33,738	14	272,299
Insurance	-	-	-	-	14,607	-	14,607
Interest expense	22,534	-	-	22,534	-	-	22,534
IT services	26,666	17	952	27,635	31,709	463	59,807
Occupancy	3,276	-	-	3,276	1,899	-	5,175
Professional fees	70,372	136,123	176,007	382,502	222,096	3,831	608,429
Programs	1,231,736	42,984	191,926	1,466,646	111,114	81,453	1,659,213
Regulatory and compliance	-	-	-	-	1,128	-	1,128
Salaries, payroll taxes, and benefits	3,336,528	35,260	429,082	3,800,870	778,553	273,172	4,852,595
Supplies, office and administration	70,750	2,484	2,844	76,078	29,909	962	106,949
Travel, conferences, and meals	238,701	3,453	16,854	259,008	343,119	4,348	606,475
	\$ 6,589,683	\$ 220,359	\$ 822,117	\$ 7,632,159	\$ 1,572,461	\$ 364,243	\$ 9,568,863

NEXLEAF ANALYTICS

**Statement of Functional Expenses
For the Year Ended December 31, 2022**

	Vaccine	Air Pollution	Hope and Innovation	Total Programs	Manage- ment and General	Fund- raising	2022 Total
Bank charges	\$ 1,589	\$ -	\$ -	\$ 1,589	\$ 6,779	\$ -	\$ 8,368
Cost of device installations	1,422,017	-	-	1,422,017	-	-	1,422,017
Equipment, computers and software	150,065	-	1,295	151,360	23,854	-	175,214
Insurance	-	-	-	-	10,010	-	10,010
Interest expense	13,562	-	-	13,562	-	-	13,562
IT services	22,193	671	699	23,563	16,958	-	40,521
Occupancy	985	-	-	985	13,424	-	14,409
Professional fees	5,090	-	751	5,841	64,308	8,365	78,514
Programs	472,153	48,571	351,044	871,768	292,175	4,382	1,168,325
Regulatory and compliance	133	-	-	133	1,925	-	2,058
Salaries, payroll taxes, and benefits	2,336,235	178,338	302,070	2,816,643	554,257	302,625	3,673,525
Supplies, office and administration	8,622	(6)	67	8,683	11,775	728	21,186
Travel, conferences, and meals	127,182	7,727	6,296	141,205	70,134	12,005	223,344
	\$ 4,559,826	\$ 235,301	\$ 662,222	\$ 5,457,349	\$ 1,065,599	\$ 328,105	\$ 6,851,053

NEXLEAF ANALYTICS

Notes to Financial Statements December 31, 2023 and 2022

1. Organization

Nexleaf Analytics (Nexleaf) is a California Nonprofit Public Benefit Corporation founded in 2009. The mission of Nexleaf is to build wireless connected devices and sensor technologies to create positive impact through health, environmental and social interventions. Nexleaf develops lightweight, field-tested sensors, cell phone applications, and advanced data analytics that enable remote monitoring and data collection from almost anywhere on the planet.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of Nexleaf have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Nexleaf's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – Nexleaf's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject Nexleaf to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Nexleaf maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Nexleaf manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. To date, Nexleaf has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Nexleaf's mission.

Grants, Pledges, and Accounts Receivable – Nexleaf records receivables that are expected to be collected within one year at net realizable value. When material, receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Receivables and Credit Policies - Nexleaf determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Property and Equipment – Nexleaf has written off all property and equipment. Costs of maintenance and repairs are expensed currently.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Nexleaf groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires Nexleaf to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. Many of the common expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using Nexleaf's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but it has not opted to do so as of December 31, 2023 and 2022.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met.

Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with *Topic 606*. Product sales and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Contributions of Nonfinancial Assets - Donated services and in-kind contributions are reflected at the fair value of the contributions received in accordance with *ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The contributions of services, supplies, and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Income Taxes - Nexleaf is organized as California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Nexleaf is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

Nexleaf has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Nexleaf continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the 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.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of September 2, 2024 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that Nexleaf has the ability to continue as a going concern.

In November 2016, the FASB issued *ASU 2016-18, Restricted Cash*. This guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the statement of financial position.

Notes to Financial Statements**2. Summary of Significant Accounting Policies** *(continued)*

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 605) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made by requiring an (1) evaluation of whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determination whether a contribution is conditional.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. This standard establishes a right-of-use model (ROU) requiring a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

In September 17, 2020, the FASB issued *ASU 2020-07; Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This Update increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by non-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires that an organization disclose:

1. A disaggregation of the amount of contributed nonfinancial assets recognized within the combined statement of activities by category that depicts the type of contributed nonfinancial assets.
2. For each category of nonfinancial assets recognized:
 - Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used
 - The organization’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets
 - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
 - A description of the valuation techniques and inputs used to arrive at a fair value measure in accordance with requirements in Topic 820, Fair Value Measurement, at initial recognition
 - The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

NEXLEAF ANALYTICS

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2023 and 2022 include all funds deposited in various accounts at local financial institutions as follows:

	2023	2022
Bank of America checking (noninterest-bearing)	\$ 257,320	\$ 316,705
Bank of America sweep (noninterest-bearing)	1,315,786	1,171,550
Chase Bank (noninterest-bearing)	484,086	-
City National Bank checking (noninterest-bearing)	107,517	108,023
Collegiate Peaks Bank (noninterest-bearing)	193,867	280,911
Stifel cash funds (bearing interest at rates ranging from 0.15% to 5.0% per annum)	7,073,939	9,719,561
Other cash balances (noninterest-bearing)	208	22,681
Total cash and cash equivalents	\$ 9,432,723	\$ 11,619,431

Funds domiciled at Stifel include short-term U.S Treasury notes and individual bank deposits under \$250,000 protected by FDIC insurance.

4. Grants, Pledges, and Accounts Receivable

Accounts receivable of \$641,815 and \$793,454 at December 31, 2023 and 2022, respectively, represent amounts due from a variety of sources. All receivables are due within one year from the date of the statement of financial position. Management has evaluated the receivables as of December 31, 2023 and determined that such amounts are fully collectible based on the financial strength of the parties involved. Accordingly, there is no allowance for doubtful accounts as of December 31, 2023.

5. Investments

At December 31, 2022, investments of \$731,227 consisted of certain assets (interest-bearing cash equivalents and equities) domiciled with Merrill Lynch. All investments were sold during the year ended December 31, 2023.

During the year ended December 31, 2023 and 2022, net investment income from interest-bearing cash accounts and investments amounted to \$355,132 and \$21,807, respectively.

6. Investment in Nexleaf India

Investment in Nexleaf India of \$552,632 and \$552,632 at December 31, 2023 and 2022, respectively, represents funds invested in a separate entity formed in Bangalore (India) with the legal name of Nexleaf Analytics India Private Limited. The Chairman of Nexleaf personally owns 0.01% of the capital of Nexleaf India. Nexleaf owns the other 99.99%. Under Indian law, there must be at least two shareholders for each Private Limited company. Since Nexleaf India's inception, there have never been any dividends issued to any shareholder. Management has estimated the fair value of this investment as equal to the cost basis and is classified as a level 3 asset.

NEXLEAF ANALYTICS

Notes to Financial Statements

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at December 31:

	2023	2022
Prepaid expenses	\$ 15,653	\$ 2,600
Deposits and other assets	404,638	377,339
Total prepaid expenses and other current assets	\$ 420,291	\$ 379,939

8. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2023 is as follows:

	Totals	Level 1	Level 2	Level 3
Grants, pledges, and accounts receivable	\$ 641,815	\$ -	\$ 641,815	\$ -
Investments	-	-	-	-
Totals	\$ 641,815	\$ -	\$ 641,815	\$ -

Composition of assets utilizing fair value measurements at December 31, 2022 is as follows:

	Totals	Level 1	Level 2	Level 3
Grants, pledges, and accounts receivable	\$ 793,454	\$ -	\$ 793,454	\$ -
Investments	731,227	731,227	-	-
Totals	\$ 1,524,681	\$ 728,981	\$ 793,454	\$ -

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. Assets Classified as Level 3: The significant unobservable inputs used in the estimated value of these items are based solely on the cost basis of the underlying assets.

9. Leases

All employees work remotely and thus Nexleaf does not lease any corporate office space in the United States. Nexleaf lease office space in Nairobi under a multi-year operating lease agreement which expires July 31, 2025. The lease requires a monthly remittance of \$301 as of December 31, 2023. Total occupancy expense amounted to \$5,175 and \$14,409 for the years ended December 31, 2023 and 2022, respectively.

NEXLEAF ANALYTICS

Notes to Financial Statements

10. Operating Right of Use Asset - Premises

In accordance with *ASU 2016-02, Leases*, Nexleaf is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as an "Operating Right of Use" asset and a corresponding operating lease liability.

At December 31, 2022, Nexleaf reflected a total lease liability in the amount of \$8,788 (split between current amount of \$3,276 and noncurrent amount of \$5,512), and a corresponding right of use asset for the premises in the amount of \$8,360. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of December 31, 2022 was 4.0%.

As of December 31, 2023, the premises lease reverted to a month-to-month contract. Accordingly, Nexleaf has elected the short-term lease exemption for all leases with a term of 12 months or fewer for existing operating leases to not recognize the asset.

11. Liquidity

Nexleaf regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Nexleaf has various sources of liquidity at its disposal, including cash and cash equivalents and other sources (including the future collection of receivables). For purposes of analyzing resources available to meet general expenditures over a 12-month period, Nexleaf considers all expenditures related to its mission, as well as the conduct of services undertaken, to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, Nexleaf anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The following table shows the total financial assets held by Nexleaf and the amounts of those financial assets readily available within one year to meet general expenditures at December 31:

	2023	2022
Cash and cash equivalents	\$ 9,432,723	\$ 2,753,718
Grants, pledges, and accounts receivable	641,815	1,552,885
Investments	-	728,981
Subtotal	10,074,538	5,041,778
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(600,000)	(1,072,325)
Financial assets available to meet general expenditures over the next twelve months	\$ 9,474,538	\$ 3,969,453

Nexleaf receives support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Nexleaf must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Nexleaf's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NEXLEAF ANALYTICS

Notes to Financial Statements

12. Related Party Transactions

- Effective October 15, 2015, Nexleaf acquired 99.9% of Nexleaf Analytics India Private Limited, a separate corporate entity located in Bangalore, India. The financial results of this entity have not been reflected in these financial statements.
- During 2015, Nexleaf Analytics created Nexleaf USA LLC, a 100% owned Limited Liability Company organized in California for the purpose of obtaining grants. This LLC was not active during the years ended December 31, 2023 and 2022.

13. Note Payable

Note payable in the amount of \$500,000 at December 31, 2023 and 2022 represents a borrowing from Rippleworks, Inc. The loan has been structured as a line of credit, bearing interest at the rate of 5% per annum (payable in quarterly interest-only installments), with a final maturity date of February 27, 2024. During the year ended December 31, 2022, Nexleaf reduced the principal balance by \$500,000 and then borrowed \$500,000. On February 27, 2024, Nexleaf retired the loan with a payment in the amount of \$501,575 representing principal and accrued interest.

14. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$9,204,924 and \$13,162,202 at December 31, 2023 and 2022, respectively, represent cumulative retained surpluses since the organization's inception.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2023	2022
Time Restricted	\$ 250,000	\$ -
Vaccines	600,000	-
Total net assets with donor restrictions	<u>\$ 850,000</u>	<u>\$ -</u>

During the years ended December 31, 2023 and 2022, contributions of net assets with donor restrictions amounted to \$850,000 and \$1,399,605, respectively. During the year ended December 31, 2022, Nexleaf released and transferred \$2,971,930 in net assets with donor restrictions to net assets without donor restrictions. No net assets were released from restriction during the year ended December 31, 2023.

15. Retirement Plan

Nexleaf offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 401(k). Participants are fully vested in all benefits. Nexleaf provides employer-matching contributions which amounted to \$95,171 and \$109,830 for the years ended December 31, 2023 and 2022, respectively.

Notes to Financial Statements

16. Commitments and Contingencies

In the normal course of business Nexleaf could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate Nexleaf to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond Nexleaf's control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management personnel, and (d) financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies, and risks will not have a material adverse effect on the financial statements.

17. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Nexleaf is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$100,073 and \$73,679 at December 31, 2023 and 2022, respectively.

18. Nexleaf India

As explained in Note 6, Nexleaf owns a majority interest in Nexleaf India, a separate entity formed in Bangalore (India) with the legal name of Nexleaf Analytics India Private Limited. In accordance with *ASU 2018-17 Consolidation*, the financial data from Nexleaf India is not included with these financial statements because of the provisions of *ASC 810-10-50-2AG*. Management believes the nature and risks associated with Nexleaf's involvement with Nexleaf India are minimal. Decisions regarding day-to-day operating activities of Nexleaf India are not made by Nexleaf (USA) management. Certain costs related to program activities carried out by Nexleaf India are funded by Nexleaf and expensed in the financial statements. Nexleaf's maximum exposure resulting from its involvement with Nexleaf India cannot be quantified.

19. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Nexleaf has evaluated subsequent events through September 2, 2024, the date the financial statements were available to be issued. As disclosed in Note 13, Nexleaf retired the loan on February 27, 2024 with a payment in the amount of \$501,575, representing principal and accrued interest. In the opinion of management, there are no other subsequent events which necessitate disclosure.