



Financial Statements

For the Year Ended
DECEMBER 31, 2015
With Independent Auditors' Report

NEXLEAF ANALYTICS

(A California Not-For-Profit Corporation)
December 31, 2015

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Regalia &
Associates

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Nexleaf Analytics

We have audited the accompanying financial statements of Nexleaf Analytics (a California Nonprofit Public Benefit Corporation) which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Opinion

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, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Danville, California
October 31, 2016*

Regalia & Associates

NEXLEAF ANALYTICS

Statement of Financial Position December 31, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,025,834
Accounts receivable	1,072,634
Grants and pledges receivable	50,000
Inventory	146,990
Prepaid expenses and other current assets	132,896
Total current assets	<u>2,428,354</u>

Noncurrent assets:

Property and equipment, net	<u>202,475</u>
Total noncurrent assets	<u>202,475</u>

\$ 2,630,829

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities	\$ 190,250
Accrued payroll and related benefits	34,823
Total current liabilities	<u>225,073</u>

Net assets:

Unrestricted	1,470,449
Temporarily restricted	935,307
Total net assets	<u>2,405,756</u>

\$ 2,630,829

NEXLEAF ANALYTICS

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015**

<i>Changes in net assets:</i>	Unrestricted	Temporarily Restricted	Total 2015
Revenue and support:			
Earned revenue:			
Device installations	\$ 1,101,080	\$ -	\$ 1,101,080
Program service fees	15,275	-	15,275
Investment income	402	-	402
Other income	50,971	-	50,971
Total earned revenue	<u>1,167,728</u>	<u>-</u>	<u>1,167,728</u>
Contributed support:			
Foundation grants	563,267	549,345	1,112,612
Individual contributions	6,760	-	6,760
Corporate contributions	15,000	5,699	20,699
In-kind services	22,827	-	22,827
Net assets released from restrictions	1,905,720	(1,905,720)	-
Total contributed support	<u>2,513,574</u>	<u>(1,350,676)</u>	<u>1,162,898</u>
Total revenue and support	<u>3,681,302</u>	<u>(1,350,676)</u>	<u>2,330,626</u>
Expenses:			
Programs:			
Vaccine	1,933,591	-	1,933,591
Air Pollution	201,402	-	201,402
General	9,150	-	9,150
Total programs	<u>2,144,143</u>	<u>-</u>	<u>2,144,143</u>
Management and general	207,427	-	207,427
Fundraising	18,122	-	18,122
Total expenses	<u>2,369,692</u>	<u>-</u>	<u>2,369,692</u>
Increase (decrease) in net assets	1,311,610	(1,350,676)	(39,066)
Net assets at beginning of year	158,839	2,285,983	2,444,822
Net assets at end of year	<u>\$ 1,470,449</u>	<u>\$ 935,307</u>	<u>\$ 2,405,756</u>

NEXLEAF ANALYTICS

**Statement of Cash Flows
For the Year Ended December 31, 2015**

Operating activities:

Decrease in net assets	\$ (39,066)
Depreciation	2,615
Adjustments to reconcile to cash provided by (used for) operating activities:	
Changes in:	
Accounts receivable	(1,072,634)
Grants and pledges receivable	800,000
Inventory	(146,990)
Prepaid expenses and other current assets	(129,314)
Accounts payable and accrued liabilities	170,684
Accrued payroll and related benefits	34,823
Cash used for operating activities	<u>(379,882)</u>

Investing activities:

Acquisition of property and equipment	<u>(201,822)</u>
Cash used for investing activities	<u>(201,822)</u>
Net decrease in cash and cash equivalents	(581,704)
Cash and cash equivalents at beginning of year	<u>1,607,538</u>
Cash and cash equivalents at end of year	<u>\$ 1,025,834</u>

Additional cash flow information:

Interest paid	<u>\$ -</u>
State registration taxes paid	<u>\$ 150</u>

NEXLEAF ANALYTICS

**Statement of Functional Expenses
For the Year Ended December 31, 2015**

	Vaccine	Air Pollution	General	Total Programs	Manage- ment and General	Fund- raising	2015 Total
Bank charges	\$ 1,670	\$ 437	\$ 1,762	\$ 3,869	\$ 858	\$ -	\$ 4,727
Cost of device installations	1,143,223	-	-	1,143,223	-	-	1,143,223
Depreciation	1,670	437	24	2,131	432	52	2,615
Equipment, computers and softwar	3,571	1,660	4,517	9,748	14,353	263	24,364
In kind legal services	-	-	-	-	22,827	-	22,827
Insurance	2,109	563	31	2,703	1,877	67	4,647
IT services	693	213	760	1,666	3,029	6	4,701
Occupancy	5,011	1,296	69	6,376	1,277	155	7,808
Professional fees	9,637	10,116	15	19,768	47,041	28	66,837
Programs	347,408	80,063	913	428,384	-	-	428,384
Salaries, payroll taxes and benefits	418,307	106,316	1,058	525,681	105,226	12,790	643,697
Supplies, office and administration	279	298	1	578	3,631	23	4,232
Travel and meals	13	3	-	16	6,876	4,738	11,630
	\$ 1,933,591	\$ 201,402	\$ 9,150	\$ 2,144,143	\$ 207,427	\$ 18,122	\$ 2,369,692

NEXLEAF ANALYTICS

Notes to Financial Statements December 31, 2015

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 Accounting

The financial statements of Nexleaf have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Nexleaf is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenue and Support Recognition

Nexleaf records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when Nexleaf has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statements of financial position.

Uses of 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 liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Receivables

Accounts receivable are recognized when items of inventory are sold in accordance with standard industry practices. Grants and pledges receivable are recorded when written communication is received from donors and are stated at estimated net realizable value. Nexleaf assesses the collectability of all receivables and records an allowance for uncollectible amounts, if necessary.

Notes to Financial Statements

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

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. Cash equivalents include short-term interest-bearing investments in money market and liquid asset accounts. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Inventories

Inventories are carried at lower of cost or market using the first-in first-out method and consist of Temperature Data Loggers. All direct costs related to the acquisition of inventory components are capitalized as inventory in accordance with ASC 330.10.30 *Inventory*.

Property and Equipment

Property and equipment purchased by Nexleaf is stated at cost. Property and equipment donated to Nexleaf is recorded at estimated fair value as of the date of the gift. The cost of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Costumes and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of five years.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, Nexleaf is required to report information regarding its exposure to various tax positions taken by Nexleaf and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that Nexleaf has adequately evaluated its current tax positions and has concluded that as of December 31 2015, Nexleaf does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

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. Nexleaf may periodically receive unrelated business income (such as sublease rental income) requiring Nexleaf to file separate tax returns under federal and state statutes. Under such conditions, Nexleaf calculates and accrues the applicable taxes.

Functional Allocation of Expenses

The costs of providing Nexleaf's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NEXLEAF ANALYTICS

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents of \$1,025,834 at December 31, 2015 include all funds deposited in various accounts at local financial institutions as follows:

Bank of America checking (noninterest-bearing)	\$	275,198
Bank of America savings (bearing interest at 0.04% per annum)		645,574
City National Bank checking (noninterest-bearing)		105,062
Total cash and cash equivalents	\$	<u>1,025,834</u>

4. Receivables

Receivable consist of the following at December 31, 2015:

Accounts receivable due from the sale of inventory items	\$	1,072,634
Grant due from foundation		50,000
Total receivables	\$	<u>1,122,634</u>

All pledges and grants are due within one year from the date of the statement of financial position and management considers all amounts to be fully collectible. Accordingly, there is no provision for doubtful accounts at December 31, 2015. All receivables are considered to be level 2 assets.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at December 31, 2015:

Prepaid insurance and other advance payments	\$	92,374
Deposits		40,522
Total prepaid expenses and other current assets	\$	<u>132,896</u>

6. Property and Equipment

Property and equipment consist of the following at December 31, 2015:

Project equipment	\$	7,847
Software		201,822
Less: accumulated depreciation		(7,194)
Property and equipment, net	\$	<u>202,475</u>

Depreciation expense amounted to \$2,614 for the years ended December 31, 2015.

NEXLEAF ANALYTICS

Notes to Financial Statements

7. Temporarily Restricted Net Assets

Nexleaf recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at December 31, 2015 and 2015:

Beneventures Foundation	\$	150,434
Gates Foundation		301,855
Google		328,911
Lehman Foundation		10,000
McQuown		60,000
Vodafone		84,107
Total temporarily restricted net assets	\$	<u>935,307</u>

During the year ended December 31, 2015, contributions of temporarily restricted net assets amounted to \$555,044. During the year ended December 31, 2015, Nexleaf released and transferred \$1,905,720 in temporarily restricted net assets to unrestricted support.

8. Leases

Nexleaf leases its corporate office space under a month-to-month operating lease agreement between Nexleaf and the spouse of the organization's president. The lease requires a monthly remittance of \$500 as of December 31, 2015. Nexleaf is responsible for its proportionate share of building, maintenance and operating expenses which includes insurance and utilities. Rent expense amounted to \$6,000 for the year ended December 31, 2015.

9. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2015 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts receivable	\$ 1,072,634	\$ -	\$ 1,072,634	\$ -
Grants and pledges receivable	50,000	-	50,000	-
Inventory	146,990	-	-	146,900
Totals	\$ 1,269,624	\$ -	\$ 1,122,634	\$ 146,900

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. Asset Classified as Level 3: The significant unobservable inputs used in the estimated value of the entity's inventory is based solely on the cost basis of the asset.

Notes to Financial Statements

10. Related Party Transactions

During 2015, Nexleaf rented office space from the spouse of the organization's president (as disclosed in footnote 8).

During 2015, Nexleaf employed the sister of the organization's president. Board Members David Watson and Vinitha Watson are married.

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 year ended December 31, 2015.

11. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate Nexleaf to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond Nexleaf's control, such as general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

12. Use of 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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements

13. 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 \$34,823 at December 31, 2015.

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Nexleaf has evaluated subsequent events through October 31, 2016, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.