



Financial Statements

For the Years Ended
December 31, 2020 and 2019
With Independent Auditors' Report Thereon

NEXLEAF ANALYTICS

(A California Not-For-Profit Corporation)
December 31, 2020 and 2019

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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, 2020 and 2019 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Danville, California
September 17, 2021***

Regalia & Associates

NEXLEAF ANALYTICS

**Statements of Financial Position
December 31, 2020 and 2019**

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 2,599,185	\$ 1,242,368
Grants, pledges, and accounts receivable (net of allowance)	796,349	869,036
Investments	724,562	719,332
Inventory	16,572	212,014
Prepaid expenses and other current assets	67,000	32,982
Total current assets	4,203,668	3,075,732
Noncurrent assets:		
Investment in Nexleaf India	52,632	52,632
Right of use asset - premises	90,755	143,689
Total noncurrent assets	143,387	196,321
	\$ 4,347,055	\$ 3,272,053

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 190,791	\$ 156,558
Accrued payroll and related benefits	103,814	85,794
Unearned revenue	188,530	-
Lease liability	75,075	67,376
Total current liabilities	558,210	309,728
Long term liabilities:		
Lease liability	17,944	78,494
Total liabilities	576,154	388,222
Net assets:		
Without donor restrictions	2,684,178	2,458,187
With donor restrictions	1,086,723	425,644
Total net assets	3,770,901	2,883,831
	\$ 4,347,055	\$ 3,272,053

NEXLEAF ANALYTICS

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020**

	Net Assets		Total 2020	Total 2019
	Without Donor Restrictions	With Donor Restrictions		
<i>Changes in net assets:</i>				
Revenue and support:				
Earned revenue:				
Device installations	\$ 198,084	\$ -	\$ 198,084	\$ 1,436,905
Program service fees	12,884	-	12,884	29,537
Investment income	4,284	-	4,284	12,702
Other income (net)	423	-	423	1,871
Total earned revenue	215,675	-	215,675	1,481,015
Contributed support:				
Foundation and government grants	1,941,557	2,557,642	4,499,199	2,546,531
Individual and trust contributions	34,184	450,000	484,184	509,711
Corporate contributions	25,787	250,000	275,787	57,621
In-kind services	-	-	-	24,247
Net assets released from restrictions	2,596,563	(2,596,563)	-	-
Total contributed support	4,598,091	661,079	5,259,170	3,138,110
Total revenue and support	4,813,766	661,079	5,474,845	4,619,125
Expenses:				
Programs:				
Vaccine	2,338,587	-	2,338,587	2,496,836
Air Pollution	645,818	-	645,818	1,045,241
Innovation	-	-	-	559,404
Total programs	3,424,076	-	3,424,076	4,101,481
Management and general	879,965	-	879,965	533,439
Fundraising	283,734	-	283,734	155,105
Total expenses	4,587,775	-	4,587,775	4,790,025
Increase (decrease) in net assets	225,991	661,079	887,070	(170,900)
Net assets at beginning of year	2,458,187	425,644	2,883,831	3,054,731
Net assets at end of year	\$ 2,684,178	\$ 1,086,723	\$ 3,770,901	\$ 2,883,831

NEXLEAF ANALYTICS

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019**

	Net Assets			
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
<i>Changes in net assets:</i>				
Revenue and support:				
Earned revenue:				
Device installations	\$ 1,436,905	\$ -	\$ 1,436,905	\$ 299,122
Program service fees	29,537	-	29,537	304,615
Investment income	12,702	-	12,702	6,629
Other income (net)	1,871	-	1,871	(1,235)
Total earned revenue	1,481,015	-	1,481,015	609,131
Contributed support:				
Foundation and government grants	408,978	2,137,553	2,546,531	1,196,840
Individual and trust contributions	59,711	450,000	509,711	536,899
Corporate contributions	57,621	-	57,621	358,000
In-kind services	24,247	-	24,247	50,457
Net assets released from restrictions	3,302,728	(3,302,728)	-	-
Total contributed support	3,853,285	(715,175)	3,138,110	2,142,196
Total revenue and support	5,334,300	(715,175)	4,619,125	2,751,327
Expenses:				
Programs:				
Vaccine	2,496,836	-	2,496,836	1,380,444
Air Pollution	1,045,241	-	1,045,241	694,679
Innovation	559,404	-	559,404	240,696
Total programs	4,101,481	-	4,101,481	2,315,819
Management and general	533,439	-	533,439	466,967
Fundraising	155,105	-	155,105	150,715
Total expenses	4,790,025	-	4,790,025	2,933,501
Increase (decrease) in net assets	544,275	(715,175)	(170,900)	(182,174)
Net assets at beginning of year	1,913,912	1,140,819	3,054,731	3,236,905
Net assets at end of year	\$ 2,458,187	\$ 425,644	\$ 2,883,831	\$ 3,054,731

NEXLEAF ANALYTICS

**Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019**

	2020	2019
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 887,070	\$ (170,900)
Change in allowance for doubtful accounts	177,601	-
Receivables written off as uncollectible	-	10,727
Adjustments to reconcile to cash provided by (used for) operating activities:		
Changes in:		
Grants, pledges, and accounts receivable	(104,914)	(15,720)
Inventory	195,442	(58,708)
Prepaid expenses and other current assets	(34,018)	150,940
Right of use asset - premises	52,934	65,562
Accounts payable and accrued liabilities	34,233	91,276
Accrued payroll and related benefits	18,020	(39,752)
Unearned revenue	188,530	-
Customer deposits	-	(633,294)
Cash provided by (used for) operating activities	1,414,898	(599,869)
<i>Investing activities:</i>		
Acquisition of investments and/or reinvestment of earnings	(5,230)	(467,044)
Cash used for investing activities	(5,230)	(467,044)
<i>Financing activities:</i>		
Payments applied to lease payable	(52,851)	(63,381)
Cash used for financing activities	(52,851)	(63,381)
Net increase (decrease) in cash and cash equivalents	1,356,817	(1,130,294)
Cash and cash equivalents at beginning of year	1,242,368	2,375,950
Cash and cash equivalents at end of year	\$ 2,599,185	\$ 1,245,656
<i>Additional cash flow information:</i>		
Interest paid	\$ -	\$ -
State registration taxes paid	\$ 150	\$ 150

NEXLEAF ANALYTICS

**Statement of Functional Expenses
For the Year Ended December 31, 2020**

	Vaccine	Air Pollution	Innovation	Total Programs	Manage- ment and General	Fund- raising	2020 Total
Bank charges	\$ 1,538	\$ 1,520	\$ 585	\$ 3,643	\$ 7,664	\$ 61	\$ 11,368
Cost of device installations	4,364	1,600	-	5,964	200,332	-	206,296
Equipment, computers and software	53,455	307	41,152	94,914	4,457	189	99,560
Insurance	338	145	88	571	7,865	51	8,487
IT services	10,748	3,080	1,998	15,826	9,694	3,354	28,874
Occupancy	54,968	13,721	11,438	80,127	11,700	5,693	97,520
Professional fees	1,862	4,552	860	7,274	123,422	4,115	134,811
Programs	643,072	102,819	72,159	818,050	7,047	-	825,097
Regulatory and compliance	9,211	3,904	5,993	19,108	519	9	19,636
Salaries, payroll taxes and benefits	1,492,345	458,253	296,273	2,246,871	323,944	264,960	2,835,775
Supplies, office and administration	53,288	43,540	2,639	99,467	181,089	1,664	282,220
Travel and meals	13,398	12,377	6,486	32,261	2,232	3,638	38,131
	\$ 2,338,587	\$ 645,818	\$ 439,671	\$ 3,424,076	\$ 879,965	\$ 283,734	\$ 4,587,775

NEXLEAF ANALYTICS

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	Vaccine	Air Pollution	Innovation	Total Programs	Manage- ment and General	Fund- raising	2019 Total
Bank charges	\$ 988	\$ 38	\$ 307	\$ 1,333	\$ 4,373	\$ -	\$ 5,706
Cost of device installations	718,372	5,128	-	723,500	-	-	723,500
Equipment, computers and software	66,517	130,755	89,886	287,158	8,637	3,149	298,944
Insurance	22	-	-	22	11,486	-	11,508
IT services	43,705	11,288	6,035	61,028	7,963	4,047	73,038
Occupancy	68,824	29,224	14,444	112,492	14,941	3,903	131,336
Professional fees	177,962	18,458	30,395	226,815	97,290	59	324,164
Programs	378,481	110,744	40,234	529,459	1,560	-	531,019
Regulatory and compliance	7,863	2,335	(3,059)	7,139	423	-	7,562
Salaries, payroll taxes and benefits	818,546	693,980	345,900	1,858,426	351,924	132,151	2,342,501
Supplies, office and administration	43,100	10,955	2,871	56,926	25,967	853	83,746
Travel and meals	172,456	32,336	32,391	237,183	8,875	10,943	257,001
	\$ 2,496,836	\$ 1,045,241	\$ 559,404	\$ 4,101,481	\$ 533,439	\$ 155,105	\$ 4,790,025

Notes to Financial Statements December 31, 2020 and 2019

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 reports 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.

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.

Accounts and Contributions Receivable - Nexleaf records contributions receivable that are expected to be collected within one year at net realizable value. When material, contributions receivable 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.

Notes to Financial Statements

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

In subsequent years, amortization of the discounts (when applicable) will be included in contribution revenue in the statement of activities. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible.

Property and Equipment – Nexleaf has written off all property and equipment. Costs of maintenance and repairs are expensed currently. Nexleaf reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Nexleaf has determined that no long-lived assets were impaired during the year ended December 31, 2020.

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.

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 opted not to do so as of December 31, 2020 and 2019.

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 that 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.

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. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

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)*

Donated Services and In-Kind Contributions - Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs 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.

Volunteers contribute significant amounts of time to Nexleaf which includes administration, fundraising, and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

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. A majority of 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.

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.

Notes to Financial Statements

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

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. Nexleaf has followed the recommendation of the update to ensure presentation conformity of its financial statements.

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. Topic 842 was subsequently amended by *ASUs No. 2018-01, No. 2018-10, and No. 2018-11*. 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 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 17, 2021 (the date of the Independent Auditors’ Report), Nexleaf management has made this evaluation and has determined that Nexleaf has the ability to continue as a going concern.

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.

Notes to Financial Statements

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

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*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating 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) determining whether a contribution is conditional. Accordingly, Nexleaf has incorporated these clarifying standards within the audited financial statements.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating 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) determining whether a contribution is conditional. Accordingly, Nexleaf has incorporated these clarifying standards within the audited financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2020 and 2019 include all funds deposited in various accounts at local financial institutions as follows:

	2020	2019
Bank of America checking (noninterest-bearing)	\$ 187,553	\$ 67,947
Bank of America sweep (noninterest-bearing)	2,214,180	1,043,794
City National Bank checking (noninterest-bearing)	79,022	110,953
Collegiate Peaks Bank (noninterest-bearing)	111,709	-
Other cash balances (noninterest-bearing)	6,721	19,674
Total cash and cash equivalents	\$ 2,599,185	\$ 1,242,368

4. Grants, Pledges, and Accounts Receivable

Accounts receivable of \$796,349 and \$869,036 at December 31, 2020 and 2019, 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. During the year ended December 31, 2019, accounts receivable in the amount of \$10,727 were deemed uncollectible and written off. There were no bad debts written off during the year ended December 31, 2020. Management has evaluated the outstanding receivables at December 31, 2020 and has determined that a provision for doubtful accounts in the amount of \$177,601 is necessary in order to cover potential uncollectible amounts.

NEXLEAF ANALYTICS

Notes to Financial Statements

5. Investments

Investments consist of certain assets domiciled with Merrill Lynch and are itemized as follows at December 31:

	2020	2019
Cash equivalents	\$ 724,562	\$ 3,288
Certificates of deposit	-	716,044
Total investments	\$ 724,562	\$ 719,332

Balances in certificates of deposit earned interest at rates ranging from 1.60% to 1.79% per annum during the year ended December 31, 2019. During the years ended December 31, 2020 and 2019, net investment income amounted to \$4,284 and \$12,702, respectively.

6. Investment in Nexleaf India

Investment in Nexleaf India of \$52,632 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.

7. Prepaid Expenses and Other Current Assets

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

	2020	2019
Prepaid insurance and other advance payments	\$ 17,393	\$ 11,877
Expensify card clearing	13,458	
Line of credit guarantee deposit	30,000	-
Deposits	6,149	21,105
Total prepaid expenses and other current assets	\$ 67,000	\$ 32,982

8. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Grants, pledges, and accounts receivable	\$ 796,349	\$ -	\$ 796,349	\$ -
Investments	777,194	724,562	-	53,632
Inventory	16,572	-	-	16,572
Totals	\$ 1,590,115	\$ 724,562	\$ 796,349	\$ 70,204

(continued)

Notes to Financial Statements

8. Fair Value Measurements *(continued)*

Composition of assets utilizing fair value measurements at December 31, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts receivable	\$ 869,036	\$ -	\$ 869,036	\$ -
Investments	769,676	716,044	-	53,632
Inventory	212,014	-	-	212,014
Totals	\$ 1,850,726	\$ 716,044	\$ 869,036	\$ 265,646

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. 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 a "Right of Use" asset and a corresponding lease liability. At December 31, 2020, Nexleaf reflected a total lease liability in the amount of \$93,019 (split between current amount of \$75,075 and noncurrent amount of \$17,944), and a corresponding right of use asset for the premises in the amount of \$90,755. At December 31, 2019, Nexleaf reflected a total lease liability in the amount of \$145,870 (split between current amount of \$67,376 and noncurrent amount of \$78,494), and a corresponding right of use asset for the premises in the amount of \$143,689. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of December 31, 2020 was 4.0%.

10. Leases

Nexleaf leases its corporate office space under a multi-year operating lease agreement between Nexleaf and the spouse of the organization's president. The lease expires December 31, 2022 and requires a monthly remittance of \$5,838. The lease agreement stipulates annual rental increases of 3% each January. Nexleaf is responsible for its proportionate share of building, maintenance and operating expenses which includes insurance and related costs. Total occupancy expense (including parking, utilities, and related expenditures) amounted to \$97,520 and \$131,336 for the years ended December 31, 2020 and 2019, respectively.

Notes to Financial Statements

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 of the balance sheet date to meet general expenditures at December 31:

	2020	2019
Cash and cash equivalents	\$ 2,599,185	\$ 1,242,368
Grants, pledges, and accounts receivable	796,349	869,036
Investments	724,562	719,332
Inventory	16,572	212,014
Subtotal	4,136,668	3,042,750
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(836,723)	(425,644)
Financial assets available to meet general expenditures over the next twelve months	\$ 3,299,945	\$ 2,617,106

Nexleaf receives a substantial amount of 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.

12. Related Party Transactions

- During 2020 and 2019, Nexleaf rented office space from the spouse of the organization's president (as disclosed in footnote 12).
- During 2020 and 2019, Nexleaf employed the sister of the organization's president.
- 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, 2020 and 2019.

NEXLEAF ANALYTICS

Notes to Financial Statements

13. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$2,684,178 and \$2,458,187 at December 31, 2020 and 2019, respectively, represent cumulative retained surpluses since the organization's inception.

Net Assets With Donor Restrictions

Nexleaf recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at December 31:

	2020	2019
Air Pollution	\$ -	\$ 78,364
Time Restricted	250,000	-
Vaccines	836,723	347,280
Total net assets with donor restrictions	<u>\$ 1,086,723</u>	<u>\$ 425,644</u>

During the years ended December 31, 2020 and 2019, contributions of net assets with donor restrictions amounted to \$3,257,642 and \$2,587,553, respectively. During the years ended December 31, 2020 and 2019, Nexleaf released and transferred \$2,596,563 and \$3,302,728, respectively, in net assets with donor restrictions to net assets without donor restrictions.

14. 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.

15. 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 \$103,814 and \$85,794 at December 31, 2020 and 2019, respectively.

Notes to Financial Statements

16. Refundable Advance from SBA under Paycheck Protection Program (PPP)

During May 2020, Nexleaf applied for and received \$424,178 in a forgivable loan under the Small Business Administration Paycheck Protection Program (“PPP”), the total amount of which was funded through Collegiate Peaks Bank. Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136.

Nexleaf expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. The loan was forgiven during December 2020, and Nexleaf reduced the liability and recorded the forgiven loan as government contributed income.

17. 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.

18. 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 \$65,436 and \$6,503 for the years ended December 31, 2020 and 2019, respectively.

19. COVID-19

Although the COVID-19 threat has abated, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Nexleaf conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management monitors and evaluates its options. These financial statements do not contain any adjustments related to economic losses which may or may not be realized.

20. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Nexleaf has evaluated subsequent events through September 17, 2021, the date the financial statements were available to be issued, and in the opinion of management, there are no other subsequent events which are required to be disclosed.