



Financial Statements

For the Years Ended
December 31, 2021 and 2020
With Independent Auditors' Report Thereon

NEXLEAF ANALYTICS

(A California Not-For-Profit Corporation)
December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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

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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
October 24, 2022

NEXLEAF ANALYTICS

**Statements of Financial Position
December 31, 2021 and 2020**

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 2,735,718	\$ 2,587,429
Grants, pledges, and accounts receivable (net of allowance)	1,552,885	796,349
Investments	728,981	724,562
Inventory	-	16,572
Prepaid expenses and other assets	12,388	67,000
Total current assets	5,029,972	4,191,912
Noncurrent assets:		
Investment in Nexleaf India	552,632	52,632
Right of use asset - premises	17,460	90,755
Total noncurrent assets	570,092	143,387
	\$ 5,600,064	\$ 4,335,299

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 463,510	\$ 179,035
Accrued payroll and related benefits	73,842	103,814
Unearned revenue	111,259	188,530
Lease liability - current portion	9,155	75,075
Total current liabilities	657,766	546,454
Long term liabilities:		
Note payable - noncurrent portion	500,000	-
Lease liability - noncurrent portion	8,789	17,944
Total liabilities	1,166,555	564,398
Net assets:		
Without donor restrictions	2,861,184	2,684,178
With donor restrictions	1,572,325	1,086,723
Total net assets	4,433,509	3,770,901
	\$ 5,600,064	\$ 4,335,299

NEXLEAF ANALYTICS

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021**

	Net Assets		Total 2021	Total 2020
	Without Donor Restrictions	With Donor Restrictions		
<i>Changes in net assets:</i>				
Revenue and support:				
Earned revenue:				
Device installations	\$ 390,538	\$ -	\$ 390,538	\$ 198,084
Program service fees	128,591	-	128,591	12,884
Investment income	317	-	317	4,284
Other income (net)	6,576	-	6,576	423
Total earned revenue	526,022	-	526,022	215,675
Contributed support:				
Foundation and government grants	1,740,604	2,519,747	4,260,351	4,499,199
Individual and trust contributions	55,161	-	55,161	484,184
Corporate contributions	10,025	-	10,025	275,787
Net assets released from restrictions	2,034,145	(2,034,145)	-	-
Total contributed support	3,839,935	485,602	4,325,537	5,259,170
Total revenue and support	4,365,957	485,602	4,851,559	5,474,845
Expenses:				
Programs:				
Vaccine	2,311,418	-	2,311,418	2,707,803
Air Pollution	368,339	-	368,339	645,818
Hope and Innovation	506,196	-	506,196	439,671
Total programs	3,185,953	-	3,185,953	3,793,292
Management and general	736,011	-	736,011	510,750
Fundraising	266,987	-	266,987	283,733
Total expenses	4,188,951	-	4,188,951	4,587,775
Increase in net assets	177,006	485,602	662,608	887,070
Net assets at beginning of year	2,684,178	1,086,723	3,770,901	2,883,831
Net assets at end of year	\$ 2,861,184	\$ 1,572,325	4,433,509	\$ 3,770,901

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	2,707,803	-	2,707,803	2,496,836
Air Pollution	645,818	-	645,818	1,045,241
Hope and Innovation	439,671	-	439,671	559,404
Total programs	3,793,292	-	3,793,292	4,101,481
Management and general	510,750	-	510,750	533,439
Fundraising	283,733	-	283,733	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

**Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<i>Operating activities:</i>		
Increase in net assets	\$ 662,608	\$ 887,070
Change in allowance for doubtful accounts	-	177,601
Adjustments to reconcile to cash provided by (used for) operating activities:		
Changes in:		
Grants, pledges, and accounts receivable	(756,536)	(104,914)
Inventory	10,378	195,442
Prepaid expenses and other current assets	60,806	(34,018)
Right of use asset - premises	73,295	52,934
Accounts payable and accrued liabilities	284,475	22,477
Accrued payroll and related benefits	(29,972)	18,020
Unearned revenue	(77,271)	188,530
Cash provided by operating activities	<u>227,783</u>	<u>1,403,142</u>
<i>Investing activities:</i>		
Acquisition of investments and/or reinvestment of earnings	(4,419)	(5,230)
Additional funding related to investment in Nexleaf India	(500,000)	-
Cash used for investing activities	<u>(504,419)</u>	<u>(5,230)</u>
<i>Financing activities:</i>		
Payments applied to lease payable	(75,075)	(52,851)
Proceeds from note payable	500,000	-
Cash provided by (used for) financing activities	<u>424,925</u>	<u>(52,851)</u>
Net increase in cash and cash equivalents	148,289	1,345,061
Cash and cash equivalents at beginning of year	<u>2,587,429</u>	<u>1,242,368</u>
Cash and cash equivalents at end of year	<u>\$ 2,735,718</u>	<u>\$ 2,587,429</u>
<i>Additional cash flow information:</i>		
Interest paid	\$ 6,849	\$ -
State registration taxes paid	\$ 150	\$ 150

NEXLEAF ANALYTICS

**Statement of Functional Expenses
For the Year Ended December 31, 2021**

	Vaccine	Air Pollution	Hope and Innovation	Total Programs	Manage- ment and General	Fund- raising	2021 Total
Bank charges	\$ 288	\$ 187	\$ -	\$ 475	\$ 11,277	\$ 4	\$ 11,756
Cost of device installations	318,251	-	-	318,251	-	-	318,251
Equipment, computers and software	135,985	2,078	-	138,063	-	-	138,063
Insurance	-	-	-	-	5,576	-	5,576
Interest expense	-	-	-	-	6,849	-	6,849
IT services	-	-	-	-	9,357	-	9,357
Occupancy	29,015	3,349	1,957	34,321	34,295	3,136	71,752
Professional fees	206	-	-	206	142,322	25,310	167,838
Programs	431,084	60,080	197,840	689,004	47,290	-	736,294
Regulatory and compliance	31,240	3,067	(3,626)	30,681	3,804	-	34,485
Salaries, payroll taxes and benefits	1,334,637	298,775	306,294	1,939,706	434,986	237,420	2,612,112
Supplies, office and administration	14,761	803	2,208	17,772	31,187	-	48,959
Travel and meals	15,951	-	1,523	17,474	9,068	1,117	27,659
	\$ 2,311,418	\$ 368,339	\$ 506,196	\$ 3,185,953	\$ 736,011	\$ 266,987	\$ 4,188,951

NEXLEAF ANALYTICS

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

	Vaccine	Air Pollution	Hope and 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	195,979	1,600	-	197,579	8,717	-	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	230,889	43,540	2,639	277,068	3,489	1,663	282,220
Travel and meals	13,398	12,377	6,486	32,261	2,232	3,638	38,131
	\$ 2,707,803	\$ 645,818	\$ 439,671	\$ 3,793,292	\$ 510,750	\$ 283,733	\$ 4,587,775

NEXLEAF ANALYTICS

Notes to Financial Statements December 31, 2021 and 2020

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 opted not to do so as of December 31, 2021 and 2020.

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

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 October 24, 2022 (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.

NEXLEAF ANALYTICS

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.

3. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2021 and 2020 include all funds deposited in various accounts at local financial institutions as follows:

	2021	2020
Bank of America checking (noninterest-bearing)	\$ 412,099	\$ 187,553
Bank of America sweep (noninterest-bearing)	2,021,856	2,202,424
City National Bank checking (noninterest-bearing)	108,523	79,022
Collegiate Peaks Bank (noninterest-bearing)	189,669	111,709
Other cash balances (noninterest-bearing)	3,571	6,721
Total cash and cash equivalents	<u>\$ 2,735,718</u>	<u>\$ 2,587,429</u>

4. Grants, Pledges, and Accounts Receivable

Accounts receivable of \$1,552,885 and \$796,349 at December 31, 2021 and 2020, 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 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:

	2021	2020
Cash equivalents	\$ 724,496	\$ 724,562
Equities	4,485	-
Total investments	\$ 728,981	\$ 724,562

During the years ended December 31, 2021 and 2020, net investment income amounted to \$317 and \$4,284, respectively.

6. Investment in Nexleaf India

Investment in Nexleaf India of \$552,632 and \$52,632 at December 31, 2021 and 2020, 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. During the year ended December 31, 2021, Nexleaf invested another \$500,000 into Nexleaf India. 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:

	2021	2020
Prepaid insurance and other advance payments	\$ -	\$ 17,393
Expensify card clearing	-	13,458
Line of credit guarantee deposit	-	30,000
Deposits and other assets	12,388	6,149
Total prepaid expenses and other current assets	\$ 12,388	\$ 67,000

8. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2021 is as follows:

	Totals	Level 1	Level 2	Level 3
Grants, pledges, and accounts receivable	\$ 1,552,885	\$ -	\$ 1,552,885	\$ -
Investments	728,981	728,981	-	-
Totals	\$ 2,281,866	\$ 728,981	\$ 1,552,885	\$ -

NEXLEAF ANALYTICS

Notes to Financial Statements

8. Fair Value Measurements *(continued)*

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	<u>\$ 1,590,115</u>	<u>\$ 724,562</u>	<u>\$ 796,349</u>	<u>\$ 70,204</u>

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, 2021, Nexleaf reflected a total lease liability in the amount of \$17,944 (split between current amount of \$9,155 and noncurrent amount of \$8,789), and a corresponding right of use asset for the premises in the amount of \$17,460.

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. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of December 31, 2021 and 2020 was 4.0%.

10. Leases

Nexleaf leases its corporate office space under a multi-year operating lease agreement. The lease expires December 31, 2022 and requires a monthly remittance of \$6,194. 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 \$71,752 and \$97,520 for the years ended December 31, 2021 and 2020, respectively.

NEXLEAF ANALYTICS

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:

	2021	2020
Cash and cash equivalents	\$ 2,753,718	\$ 2,587,429
Grants, pledges, and accounts receivable	1,552,885	796,349
Investments	728,981	724,562
Inventory	6,194	16,572
Subtotal	5,041,778	4,124,912
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(1,072,325)	(836,723).
Financial assets available to meet general expenditures over the next twelve months	\$ 3,969,453	\$ 3,288,189

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 2021 and 2020, Nexleaf employed the sister of the organization's president. The sister resigned from the organization on March 1, 2021.
- 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, 2021 and 2020.

NEXLEAF ANALYTICS

Notes to Financial Statements

13. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$2,861,184 and \$2,684,178 at December 31, 2021 and 2020, 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:

	2021	2020
Air Pollution	\$ -	\$ -
Time Restricted	500,000	250,000
Vaccines	1,072,325	836,723
Total net assets with donor restrictions	<u>\$ 1,572,325</u>	<u>\$ 1,086,723</u>

During the years ended December 31, 2021 and 2020, contributions of net assets with donor restrictions amounted to \$2,519,747 and \$3,257,642, respectively. During the years ended December 31, 2021 and 2020, Nexleaf released and transferred \$2,034,145 and \$2,596,563, 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 \$73,842 and \$103,814 at December 31, 2021 and 2020, 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 \$109,830 and \$65,436 for the years ended December 31, 2021 and 2020, 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 reflect certain economic ramifications which impacted the years ended December 31, 2021 and 2020.

20. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Nexleaf has evaluated subsequent events through October 24, 2022, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which necessitate disclosure.