
Innovest Global, Inc.

Consolidated Financial Report (unaudited)

September 30, 2021 and 2020

Consolidated Financial Statements (unaudited)

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Consolidated Balance Sheet (unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,086	\$ 35,310
Accounts receivable, net	2,530,561	2,530,670
Inventory	584,837	584,837
Subscription receivable	-	-
Cost in excess of billings	30,249	30,249
Prepaid expenses and other current assets	184,417	177,055
Total current assets	3,342,150	3,358,121
Property and equipment, net	224,698	270,620
Goodwill	3,344,749	3,566,130
Intangible assets, net	284,433	302,983
Investment	3,481,500	2,707,500
Right-of-use assets, net	365,823	467,464
Total assets	\$ 11,043,353	\$ 10,672,818

Consolidated Balance Sheet (unaudited)

	September 30, 2021	December 31, 2020
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 4,100,755	\$ 4,012,511
Billings in excess of cost and estimated earnings	565,003	565,003
Bank line of credit	348,640	348,640
Notes payable	234,296	334,644
Deposit on assets	403,080	651,394
Accrued compensation	1,173,627	938,497
Deferred compensation	150,000	150,000
Accrued expenses	60,128	60,128
Lease liabilities, current	101,934	107,983
Other current liabilities	440,671	466,182
Total current liabilities	7,578,134	7,634,982
Lease liabilities, non-current	277,363	375,926
Shareholder loan payable	196,766	315,038
Stock guarantee liability	4,818,000	4,818,000
Share issuance liability	900,000	900,000
Bond contingencies	12,510,432	12,510,432
PPP and EIDL loans payable	916,450	1,264,545
Other non-current liabilities	25,517	25,518
Total liabilities	27,222,662	27,844,441
Stockholders' Equity (Deficit)		
Common stock, par value \$0.001 per share:		
Authorized shares: 500,000,000 in 2021 and 2020		
Issued and outstanding shares: 217,182,457 at September 30, 2021 and 191,119,957 at December 31, 2020	217,183	191,120
Preferred stock, par value \$0.001 per share:		
Authorized shares: 10,000,000 in 2021 and 2020		
Issued and outstanding shares: 1,100,000 at September 30, 2021 and 1,250,000 at December 31, 2020	1,100	1,250
Additional paid in capital	14,158,129	12,783,181
Retained deficit	(30,555,721)	(30,147,174)
Total stockholders' equity (deficit)	(16,179,309)	(17,171,623)
Total liabilities and stockholders' equity (deficit)	\$ 11,043,353	\$ 10,672,818

Consolidated Statement of Operations (unaudited)

	Three Months Ended September, 30		Nine Months Ended September, 30	
	2021	2020	2021	2020
Revenues	\$ 844,295	\$ 1,189,061	\$ 2,649,748	\$ 6,519,905
Cost of goods sold	643,756	906,224	1,892,722	4,326,336
Gross profit	200,539	282,837	757,026	2,193,569
Operating Expenses				
Selling, general & administrative expense	427,889	1,674,539	2,716,546	5,072,069
Stock compensation expense	-	-	-	499,793
Depreciation and amortization expense	10,696	19,821	31,964	65,677
Goodwill impairments	-	-	221,381	-
Other operating expense (income), net	5,005	(28,409)	(995)	(82,019)
Operating loss from continuing operations	(243,051)	(1,383,114)	(2,211,870)	(3,361,951)
Gain on investment	1,993,500	78,676	(774,000)	(4,582)
Interest expense, net	58,834	103,872	225,223	232,556
Miscellaneous income	(1,254,545)	-	(1,254,545)	-
Fair value adjustment to stock guarantee, net	-	867,196	-	867,196
Loss from continuing operations before provision (benefit) for income taxes	(1,040,840)	(2,432,858)	(408,548)	(4,457,121)
Provision (benefit) for income taxes	-	-	-	-
Net loss attributable to Innovest Global, Inc.	\$ (1,040,840)	\$ (2,432,858)	\$ (408,548)	\$ (4,457,121)
Earnings loss per share Basic	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.03)
Earnings loss per share Diluted	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.03)
Weighted average number of shares outstanding - Basic	217,182,457	163,640,160	217,182,457	163,640,160
Weighted average number of shares outstanding - Diluted	217,182,457	163,640,160	217,182,457	163,640,160

Consolidated Statement of Changes in Stockholders' Equity (Deficit) (unaudited)

	Shares of Common Stock	Common Stock	Preferred Stock	Stock Subscriptions	Additional Paid in Capital	Accumulated Deficit	Total
Balance December 31, 2019	\$ 149,097,292	\$ 149,097	\$ 1,250	\$ -	\$ 5,352,645	\$ (24,641,070)	\$ (19,138,078)
Consolidated net loss	-	-	-	-	-	(635,135)	(635,135)
Stock compensation expense	3,350,000	3,350	-	-	287,650	-	291,000
Issuance of common shares for services	500,000	500	-	-	87,000	-	87,500
Issuance of common shares for customer marketing programs	854,833	855	-	-	134,360	-	135,215
Issuance of common shares for debt payoff	10,000,000	10,000	-	-	214,875	-	224,875
Balance March 31, 2020	163,802,125	\$ 163,802	\$ 1,250	\$ -	\$ 6,076,530	\$ (25,276,205)	\$ (19,034,623)
Consolidated net loss	-	-	-	-	-	(1,389,128)	(1,389,128)
Stock compensation expense	816,520	817	-	-	256,726	-	257,543
Issuance of common shares for services	650,000	650	-	-	57,204	-	57,854
Issuance of common shares for customer marketing programs	-	-	-	-	-	-	-
Issuance of common shares for debt payoff	-	-	-	-	-	-	-
Balance June 30, 2020	165,268,645	\$ 165,269	\$ 1,250	\$ -	\$ 6,390,460	\$ (26,665,333)	\$ (20,108,354)
Consolidated net loss	-	-	-	-	-	(2,432,859)	(2,432,859)
Issuance of common shares for services	4,000,000	4,000	-	-	-	-	4,000
Issuance of common shares for H.P. Technologies, Inc. stock guarantee	11,543,479	11,544	-	-	2,664,696	-	2,676,240
Settlement of Contact Source stock guarantee	-	-	-	-	1,846,957	-	1,846,957
Stock subscriptions	25,833	26	-	-	29,974	-	30,000
Balance September 30, 2020	180,837,957	\$ 180,839	\$ 1,250	\$ -	\$ 10,932,087	\$ (29,098,192)	\$ (17,984,016)
Balance December 31, 2020	191,119,957	\$ 191,120	\$ 1,250	\$ -	\$ 12,783,181	\$ (30,147,174)	\$ (17,171,623)
Consolidated net loss	-	-	-	-	-	(313,950)	(313,950)
Stock compensation expense	1,000,000	1,000	-	-	101,500	-	102,500
Issuance of common shares for services	10,702,500	10,703	-	-	978,098	-	988,801
Issuance of common shares for debt	150,000	150	-	-	11,790	-	11,940
Stock subscriptions	400,000	400	-	-	(400)	-	-
Preferred Stock Conversion	15,000,000	15,000	(150)	-	-	-	14,850
Stock certificate cancellation	(10,000,000)	(10,000)	-	-	-	-	(10,000)
Balance March 31, 2021	208,372,457	\$ 208,373	\$ 1,100	\$ -	\$ 13,874,169	\$ (30,461,124)	\$ (16,377,482)
Consolidated net loss	-	-	-	-	-	946,243	946,243
Stock compensation expense	130,000	130	-	-	11,935	-	12,065
Issuance of common shares for debt	7,800,000	7,800	-	-	250,105	-	257,905
Balance June 30, 2021	216,302,457	\$ 216,303	\$ 1,100	\$ -	\$ 14,136,209	\$ (29,514,881)	\$ (15,161,269)
Consolidated net loss	-	-	-	-	-	(1,040,840)	(1,040,840)
Issuance of common shares for services	480,000	480	-	-	22,319	-	22,799
Issuance of common shares for subscription	400,000	400	-	-	(400)	-	-
Balance September 30, 2021	217,182,457	\$ 217,183	\$ 1,100	\$ -	\$ 14,158,129	\$ (30,555,721)	\$ (16,179,309)

Consolidated Statement of Cash Flows (unaudited)

	Nine Months Ended September 30,	
	2021	2020
Net loss attributable to Innovest Global, Inc.	\$ (408,548)	\$ (4,457,123)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	67,720	171,769
Amortization of debt issuance costs	24,409	-
Fair value adjustment for stock guarantee	-	867,196
PPP Loan forgiveness	(1,254,545)	-
Non-cash gain on StemVax investment	(774,000)	(4,582)
Goodwill impairment	221,381	-
Stock compensation expense	104,565	499,793
Financing charges on deposit of asset	-	224,875
Stock issuance for services	1,011,600	360,000
Non-cash lease expense	94,558	206,041
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	109	(273,756)
Inventory	-	(23,789)
Prepaid expenses and other assets	(16,919)	(276,994)
Accounts payable	88,244	58,691
Accrued and other liabilities	209,618	405,785
Operating lease liability	(98,563)	(130,932)
Billings in excess of costs and estimated earnings	-	(2,139,043)
Net cash used in operating activities	(730,371)	(4,512,069)
Cash Flows from Investing Activities		
Capital expenditures	(2,214)	(18,015)
Net cash provided by (used in) investing activities	(2,214)	(18,015)
Cash Flows from Financing Activities		
Proceeds from bond contingency	-	1,722,822
Proceeds from PPP and EIDL Loans	906,450	1,264,545
Proceeds from asset backed financing	210,637	-
Payments on asset back financing	(458,951)	-
Proceeds from (payments on) notes payable	169,497	924,527
Proceeds from (payments on) shareholder loan	(118,272)	(32,653)
Proceeds from stock issuance	-	30,000
Net cash provided by (used in) financing activities	709,361	3,909,241
Net increase (decrease) in cash and cash equivalents	(23,224)	(620,843)
Cash and Cash Equivalents Beginning of period	35,310	666,591
Cash and Cash Equivalents End of period	\$ 12,086	\$ 45,748
Supplemental disclosure of cash flow information:		
Intangible assets acquired from StemVax acquisition	-	-
Stock issuance for debt	269,845	-
Restricted common shares issued in connection with funding agreement	-	224,875
Interest paid	225,223	218,544

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 1 - Nature of Business

Innovest Global, Inc. (the “Company”, “Innovest”, “Innovest Global”, or “IVST”) was formed in 1999 as International Sports Marketing Group, Inc. In August 2016, after a series of transactions, the Company’s ownership, name, and business plan were changed to Innovest as a diversified industrials company with biotechnology holdings.

Innovest Global is a diversified industrials company providing value-added solutions across multiple business sectors. The Company is reported into six segments detailed below:

Energy Solutions: The Energy Solutions reportable segment provides an all-in-one offering of procurement and efficiency solutions for commercial and industrial customers including LED lighting and retrofits. This segment includes the operations of the previously acquired Shepherd Energy Solutions and Primary Metering Systems.

Energy Brokerage: The Energy Brokerage reportable segment provides competitive electricity and natural gas purchase programs for residential and commercial consumers, while giving energy suppliers the opportunity to extend special offers and savings to potential new customers. This segment includes the operations of H.P. Technologies, Inc (“H.P. Technologies”).

Call Center Services: The Call Center Services reportable segment offers inbound and outbound call services on a short or long-term basis customized to client needs. This segment includes the operations of Contact Source Solutions, LLC (“Contact Source”, “Contact Source Solutions”).

Building Solutions: The Building Solutions reportable segment designs, engineers, tests and assembles curtainwall systems or other building solutions used in large custom construction projects. This segment includes the operations of Midwest Curtainwalls, Inc. (“Midwest Curtainwalls”).

Wholesale Purchasing: The Wholesale Purchasing reportable segment is a national distributor of roofing, windows, fasteners and associated tools and accessories. This segment includes the operations of Authority National Supply which was established to create purchasing power amongst a group of independent building material providers by obtaining discounts from suppliers based on the collective buying power of its members.

Other: The remaining businesses and Corporate activities of Innovest are reported within the Other reportable segment. This reportable segment consists of the activities of Chagrin Safety Supply, LLC (“Chagrin Safety”) and Innovest Global Corporate spending.

We have also made a strategic investment in a cutting-edge biotechnology company called StemVax that is developing novel therapies for brain tumor patients.

Note 2 – Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and all wholly owned subsidiaries (collectively, the “Company”). All intercompany accounts and transactions have been eliminated in consolidation. All subsidiaries that are not wholly owned and are not included in the consolidated operating results of the Company are immaterial investments which have been accounted for under the equity or cost method. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the timing and amount of assets, liabilities, equity, revenues, and expenses recorded and disclosed. Actual results could differ from those estimates.

Certain items and amounts have been reclassified from the prior year presentation to the current year presentation to conform to the current year presentation.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)

Going Concern

As of September 30, 2021, the Company had a stockholders' deficit of \$16 million, and as of December 31, 2020 the deficit was \$17 million. For the Nine Month ended September 30, 2021, the Company had a net loss of \$409 thousand and used net cash of \$730 thousand in operating activities. For the Nine Month ended September 30, 2020, the Company had a net loss of \$4.5 million and used net cash of \$4.5 million in operating activities.

The Company's consolidated financial statements are prepared assuming that the Company will continue as a going concern. This assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company anticipates future losses in the development of its business, raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations.

Management plans to increase cash flow by acquiring and/or developing profitable businesses that will create positive income from operations, obtaining debt through loans from outside parties, and/or issuing common shares. In late 2019, the company filed an application to up list its shares from the OTC pink slip platform to the OTC QB platform in an attempt to reach a broader base of institutional investors. In January 2020, the Company signed an agreement with a third-party investor to pay off the remaining balances on the deposit on asset liens in exchange for shares of the Company's stock.

Management believes that by taking these actions, the Company will be provided with sufficient future operations and cash flow to continue as a going concern. However, there can be no assurances or guarantees whatsoever that the Company will be successful in consummating such actions on acceptable terms, if at all. Moreover, any such actions can be expected to result in substantial dilution to the existing shareholders of the Company.

Cash and Cash Equivalents

The Company considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Concentration of Cash

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash.

Trade Accounts Receivable

Trade accounts receivable are customer obligations due under normal trade terms generally requiring payments within 30 days from the invoice date or as specified in the Company's long-term contracts (with the exception of a standard retainage held for typically one month from job completion). The Company does not charge interest on past due accounts receivable invoices.

Accounts receivable is stated at net invoice amounts. As of September 30, 2021, \$1.9 million of the outstanding accounts receivable balance is from a single customer in the Building Solutions segment and the receivable from the same customer represented \$1.9 million of the outstanding accounts receivable balance as of December 31, 2020. This particular outstanding account receivable has been pledged in support of the bond agreement with Zurich American Insurance Company ("Zurich"), see details in Note 10.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk primarily consist of trade accounts receivable. The concentration of accounts receivable credit risk is generally limited based on the Company's diversified operations, with customers spread across our various end markets. In addition, management has established certain requirements that customers must meet before credit is extended. The financial condition of customers is continually monitored, and collateral is usually not required. The Company evaluates the collectability of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, the Company also reviews historical trends for collectability in determining an estimate for its allowance for doubtful accounts. If economic circumstances change substantially, estimates of the recoverability of amounts due the Company could be reduced by a material amount.

Inventory

Inventory is stated at the lower of cost or net realizable value. Inventory primarily consists of finished goods. Management has reviewed inventory quantities and determined that no allowance for obsolete and excess inventory is necessary. Throughout the year, inventory identified as obsolete or excess is written off. The Company will continue its policy of regularly reviewing inventory quantities on hand based on related service levels and functionality. The carrying cost will be reduced to estimated net realizable value for inventories in which their cost exceeds their utility due to changes in marketing and sales strategies, obsolescence, changes in price levels, or other causes.

Property and Equipment

Property and equipment acquired through acquisitions are recorded at fair value less accumulated depreciation and amortization. All other property and equipment are recorded at cost less accumulated depreciation and amortization. Assets are depreciated over their estimated useful lives using the straight-line method. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred. The Company reviews its Property and Equipment assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Determination of potential impairment related to assets to be held and used is based upon undiscounted future cash flows resulting from the use and ultimate disposition of the asset and related asset group. For assets held for sale, the amount of potential impairment may be based upon appraisal of the asset, estimated market value of similar assets or estimated cash flow from the disposition of the asset.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)

Goodwill

Goodwill is the excess of the Company's consideration over the fair value of tangible and identified intangible net assets acquired in various business combinations. Goodwill is not amortized, but rather is assessed for impairment at least on an annual basis, at December 31, and whenever events or changes in circumstances indicate that the value of the asset may be impaired. It is at least reasonably possible that management's estimates about the fair value of goodwill could change in the near term and that such changes could materially affect amounts reported in the financial statements. Such assessment can be done on a qualitative or quantitative basis. When conducting a qualitative assessment, we consider relevant events and circumstances that affect the fair value or carrying amount of the reporting unit. Our reporting units for the purposes of goodwill valuation are one level below the reportable segment level based on the operating businesses. A quantitative assessment is required only if we conclude that it is more likely than not that a reporting unit's fair value is less than its carrying amount, or we elect not to perform a qualitative assessment of a reporting unit. We consider the extent to which each of the events and circumstances identified affects the comparison of the reporting unit's fair value or the carrying amount. Such events and circumstances could include macroeconomic conditions, industry and market considerations, overall financial performance, entity and reporting unit specific events, product brand level specific events and cost factors. We place more weight on the events and circumstances that may affect the determination of whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. These factors are all considered by management in reaching its conclusion about whether to perform a quantitative goodwill impairment assessment. Goodwill impairment charges are recorded for the amount by which the carrying value of the reporting unit exceeds its fair value. We use an independent valuation specialist to assist with refining our assumptions and methods used to determine fair values using these methods.

During 2020, management recognized an impairment loss of \$1,179,346 for the remaining value of the Innovest Energy goodwill as a result of the losses incurred since acquisition. During the nine months ended September 30, 2021, management recognized an impairment loss of \$221,381 for the value of the Chagrin Safety goodwill as a result of the losses incurred since acquisition.

Intangible Assets

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment, at least annually at December 31. Determination of potential impairment related to assets to be held and used is based upon undiscounted future cash flows resulting from the use and ultimate disposition of the asset and related asset group. For assets held for sale, the amount of potential impairment may be based upon appraisal of the asset, estimated market value of similar assets or estimated cash flow from the disposition of the asset. Intangible assets consist of trade names and customer lists which are amortized over 15 years.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)

Revenue Recognition

The Company's revenue is derived primarily from the sales, services, design and fabrication of custom products. These revenue streams are described below relative to each reportable segment. Contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of sales. In situations where there are multiple performance obligations, the Company allocates the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis. The transaction price is allocated to the performance obligation based on the terms outlined in the contract. The nature of the Company's contracts occasionally gives rise to certain types of variable consideration, including award and incentive programs, prompt payment discounts, rebates and estimated pricing based on expected future usage. The Company recognizes revenue for variable consideration when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company estimates the amount of revenue to be recognized on variable consideration using the expected value (i.e., the sum of the probability-weighted amounts) or the most likely amount method, whichever is expected to better predict the amount.

The Company has elected the following practical expedients and policy elections available under ASC 606: (1) incremental costs of obtaining a contract are expensed when the amortization period is one year or less; (2) all shipping and handling activities are accounted for as activities to fulfill the promise to transfer the good, not as a separate performance obligation; (3) and in situations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date, the Company recognizes revenue in the amount to which the entity has a right to invoice.

Energy Solutions and Building Solutions

Within the Energy Solutions and Building Solutions segments, the Company has performance obligations for providing lighting and installation services (energy projects) and curtainwall design, fabrication and installation services (building projects). The Company generally enters into these agreements directly with its customers and has determined they are the principal in all of these current contracts. These services qualify for over time revenue recognition as a) the customer either simultaneously receives or consumes the benefits of the services or b) represents contracts in which the performance obligations create a customized asset on behalf of the customer and do not create an asset with an alternative use to the Company. Additionally, management has determined that the Company has an enforceable right to payment for performance completed to date. That right is evidenced in the formal contract with its customer. Management has determined that together, the formal contract and customer purchase order reflect the complete terms of the agreement. The Company recognizes revenue over time on these contracts using the cost-to-cost method (an input method), whereby revenues are recorded on the basis of the Company's estimates of satisfaction of the performance obligation based on the ratio of actual costs incurred to total estimated costs. The cost-to-cost method is utilized because management considers it to be the best available measure of progress as the performance obligations are completed. The production cycle for customer contracts is generally three to six months for energy projects and 12 to 18 months for curtainwall projects. The Company uses standard, generally accepted payment terms, which are typically due within 30 days; customers typically pay upon completion of the service or when billed. A portion of amounts billed on curtainwall projects are held back as retainage and are generally paid upon project completion. Retainage is included within accounts receivables and amounted to \$915,304 as of September 30, 2021 and December 31, 2020. These retainage amounts are included in the receivables pledged to Zurich as part of the bond liability, see Note 10 for further details. There are no significant obligations for refunds or similar obligations.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)

Costs under the cost-to-cost method include all direct material, labor, and certain other direct costs, as well as those indirect costs that related to contract performance, such as indirect labor, quality control and inspection, rent, repairs & maintenance and depreciation. General and administrative costs are charged to expense as incurred. Revenue and cost estimates are regularly monitored and revised based on changes in circumstances. Impacts from changes in estimates of revenue and cost of revenue are recognized on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on the performance completed to date.

Differences in the timing of revenue recognition, contractual billing, and payment terms result in recognition of contract assets and liabilities. Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed (costs and estimated earnings in excess of billings on uncompleted contracts). Contract liabilities represent cash received that is in excess of revenues recognized (billings in excess of costs and estimated earnings on uncompleted contracts) and are contingent upon the satisfaction of performance obligations and reserves for anticipated losses on projects in production.

The Company offers standard, non-negotiable warranties to their customers. These warranties are not purchased separately and are offered to provide assurance against defective workmanship. The warranties are not considered a separate performance obligation.

Energy Brokerage

The Company also acts as an energy broker connecting residential and commercial businesses with the lowest cost provider. This revenue is recorded as earned each month based on the commission schedule agreed to with each energy (gas or electric) distributor. The Company has determined they are acting as an agent in these transactions, as the performance obligation is to arrange for the provision of the specified good or service by another party. The commission revenues earned on these transactions are recorded at the net amount retained.

Call Center Services

For call center services, the Company has performance obligations for providing staffing resources. These contracts are typically time and material arrangements. The amounts charged correspond directly to the value the customer receives. These arrangements qualify for the right to invoice practical expedient which allows revenue to be recognized based on the number of hours worked by the call center agents at the contracted bill rates. An invoice for payment is issued at the end of each month and terms generally range from due on receipt of invoice to net 30 days.

Other

For distributed part sales, the Company has a performance obligation to deliver goods in accordance with the terms and conditions of the contract. The Company recognizes revenue when the Company satisfies its performance obligation under the contract by transferring the promised product to the customer when the customer obtains control of the product. Consideration is typically due within 30 days after control is transferred. This generally happens at the point of shipment, or in some circumstances at the point of delivery. As the Company is primarily responsible for fulfilling the obligation with the ability to establish the price and inventory risk, the Company is determined to be the principal in the transaction. There are no significant obligations for refunds or similar obligations.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)

Wholesale Purchasing

The Company distributes building supplies to vendors and leverages the purchasing power of the group to those participating. The Company recognizes revenue when the Company satisfies its performance obligation under the contract by transferring the promised product to the customer when the customer obtains control of the product. Consideration is typically due within 30 to 45 days after control is transferred. This generally happens at the point of shipment. As the Company is primarily responsible for fulfilling the obligation with the ability to establish the price and inventory risk, the Company is determined to be the principal in the transaction.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be received or settled. Any effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period the change is enacted.

Deferred tax assets are reduced by a valuation allowance, if based on all available evidence, it is more likely than not that the deferred tax asset will not be realized. The Company evaluates the recovery of its deferred tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates.

In the ordinary course of business there is inherent uncertainty in quantifying certain income tax positions. The Company evaluates uncertain tax positions for all years subject to examination based upon management's evaluations of the facts, circumstances and information available at the reporting date. Income tax positions must meet a more-likely-than-not recognition threshold at the reporting date to be recognized. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Stock Subscriptions

Stock subscriptions that are paid subsequent to year end but before the date the financial statements are issued for each respective year are treated as receivables in the current assets section on the consolidated balance sheet rather than a deduction from equity.

Earnings (Loss) per Share

Basic loss per share is based on the weighted-average number of common shares outstanding during the year. Diluted loss per share is computed giving effect to all potentially dilutive common shares. Potentially dilutive common shares may consist of incremental shares issuable upon the exercise of stock options and warrants and the conversion of notes payable to common stock, if applicable. In periods in which a net loss has been incurred, all potentially dilutive common shares are considered anti-dilutive and, thus, are excluded from the calculation. For the nine months ended September 30, 2021 and the year ended December 31, 2020 there were 1,560,000 options issued under the Equity plan, that were excluded from the computation of diluted earnings per share because they were anti-dilutive.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)**Stock Based Compensation**

The Company has stock incentive plans that grant stock-based compensation to employees and directors. Shares issued for option exercises, restricted stock units and performance units from an allocated pool of shares from the authorized shares. For equity-classified awards, the fair value is determined on the date of the grant and not remeasured. The fair value of restricted stock units is determined using the closing price of the Company's common stock on the grant date (Level 1 measurement). The fair value of options is determined using an option pricing model which uses market-based inputs (Level 2 measurement). Expense for all stock-based awards is recognized on a straight-line basis over the requisite service period, which is generally equivalent to the vesting term. Forfeitures result in reversal of previously recognized expenses for unvested shares and are recognized in the period in which the forfeiture occurs. See Note 16 for more information.

Shipping and Handling Costs

Shipping and handling costs are recorded as costs of sales as they are incurred.

Recent Accounting Pronouncements

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This ASU is intended to reduce diversity in accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. For the Company, the amendments in this Update are effective for fiscal years beginning after December 31, 2021, including interim periods within those fiscal years. Early adoption is permitted for all entities, including adoption in an interim period. Certain amendments within this ASU are required to be applied on a retrospective basis, certain other amendments are required to be applied on a modified retrospective basis and all other amendments on a prospective basis. Adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

In March 2021, the FASB issued ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. The amendments in this ASU provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period.

The amendments in this Update are effective on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021. An entity should not retroactively adopt the amendments in this Update for interim financial statements already issued in the year of adoption. Adoption of this standard has not have had a material effect on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance to improve consistent application. For the Company, this ASU is effective beginning with the first quarter of 2021. Early adoption is permitted. Certain amendments within this ASU are required to be applied on a retrospective basis, certain other

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 2 – Significant Accounting Policies (Continued)

amendments are required to be applied on a modified retrospective basis and all other amendments on a prospective basis. Adoption of this guidance has not had a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). For the Company, the ASU was effective prospectively beginning with the first quarter of 2020. As the Company has not had and is not in process of implementing significant hosted software arrangements as of September 30, 2021, the adoption of this standard has not had a material effect on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20)*. This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. For the Company, the ASU is effective retrospectively beginning with the 2020 annual financial statements but is not applicable to its interim financial statements. Adoption of this guidance has not had a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. For the Company, the ASU is effective beginning with the first quarter of 2020. Certain disclosures in this ASU are required to be applied on a retrospective basis and others on a prospective basis. Adoption of this guidance has not had a material impact on its consolidated financial statements.

Note 3 - Investment

On July 17, 2018, the Company acquired a 20 percent equity interest of StemVax Therapeutics (StemVax) for 2.5 million common shares of IVST and cash of \$16,742 related to the anticipated requirements of pending license agreements by StemVax with Cedars Sinai Medical Center (Cedars) in Los Angeles, California. Cedars owns intellectual property that StemVax requires to effectuate its business plan, and these license agreements would satisfy the business requirements. The license agreements have since been successfully executed. The investment was historically recorded as an investment in equity securities and was not accounted for using the equity method, as the Company did not have significant influence over the entity. The investment was recorded at \$141,742, which represented the cash investment plus the value of IVST shares issued based on the trading value of \$0.05 per share at the time of issuance or \$125,000. This holding is not expected to generate revenue in the short term but represents what the Company believes will be a substantially valuable intellectual property holding.

On February 1, 2020, the Company acquired the remaining 80 percent of StemVax in exchange for 7.5 million warrants. The Company has concluded that the investment in StemVax is a business combination. The Company is currently in the process working on a final valuation of StemVax and has currently recorded a preliminary provisional amount. The fair value was allocated to an in-process research and development intangible asset related to the aforementioned technology and licenses. Due to the nature of the transactions the Company recorded the business combination as an acquisition achieved in stages or a step acquisition. This resulted in a gain of \$83,258 recorded in other income and expense on the statement of operations. The gain was the result of the difference in the book value of the StemVax investment previously recorded compared to the estimated fair value of the StemVax investment immediately prior to the acquisition date. The fair value was based on the warrants issued which were valued based on a Black-Sholes Model that uses weighted average assumptions, including actual transactions of

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 3 – Investment (Continued)

the Company's stock occurring around the time the warrants were granted; expected volatility based on historical volatility of the Company and comparable, or guideline, public companies; the expected term of the warrants granted

representing the period of time that warrants granted are expected to be outstanding, which takes into account the contractual term elements; a dividend yield; and a discount rate for periods within the contractual life of the warrant which is based on the U.S. Treasury yield curve in effect at the time the warrants were granted. Utilizing this model, the Company valued the warrants at \$900,000.

On September 8, 2020 Innovest sold 100% interest in StemVax in exchange for 7.5 million shares of the buyer's common stock. The intangible technology asset was written off the balance sheet and the shares of stock received were recorded as an investment. Innovest is currently in the process of valuation of its interest in the buyer's business. This investment is expected to significantly contribute to the strength of Innovest's balance sheet, providing the company the opportunity to generate cash without shareholder dilution and/or pay shares as dividends directly to Innovest shareholders in the future.

Note 4 - Property and Equipment

Property and equipment at September 30, 2021 and December 31, 2020, are summarized as follows:

	September 30, <u>2021</u>	December 31, <u>2020</u>	Depreciable Life Years
Machinery and equipment	289,666	\$289,666	9
Transportation equipment	8,950	8,950	2
Furniture and fixtures	73,373	73,373	3 10
Computer equipment and software	36,359	34,145	3 5
Total cost	\$ 408,348	\$ 406,134	
Accumulated depreciation	183,650	135,514	
Net property and equipment	\$224,698	\$270,620	

Depreciation expense for the three months ended September 30, 2021 and September 30, 2020 was \$16,431 and \$16,319, respectively, which includes \$345 amortization of financing lease right-of-use asset.

Depreciation expense for the nine months ended September 30, 2021 and September 30, 2020 was \$49,170 and \$48,558, respectively, which includes \$1,035 and \$1,033 amortization of financing lease right-of-use asset, respectively.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 5 - Acquired Intangible Assets and Goodwill

Intangible Assets

Intangible assets of the Company as of September 30, 2021 and December 31, 2020, are summarized as follows:

	September 30, 2021	December 31, 2020
Intangible assets:		
Customer contracts	\$415,000	\$415,000
Trade names	131,000	131,000
Total intangible assets	\$ 546,000	\$ 546,000
Accumulated amortization	(261,567)	(243,017)
Net intangible assets	\$ 284,433	\$ 302,983

Amortization expense for the three months ended September 30, 2021 and 2020 was \$6,183 and \$19,419, respectively. Amortization expense for the nine months ended September 30, 2021 and 2020 was \$18,549 and \$123,210, respectively. Anticipated amortization expense for the years ending December 31 is as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	24,733
2022	24,733
2023	24,733
2024	24,733
Thereafter	204,050
Total	\$ 302,983

Our reporting units for the purposes of goodwill valuation are based on the business units, one level below the segment reporting. The carrying amount of goodwill (by reportable segment) are as follows:

Reportable Segment Goodwill Carrying Value	September 30, 2021	December 31, 2020
Energy Solutions	\$ -	\$ -
Energy Brokerage	267,890	267,890
Call Center Services	600,790	600,790
Building Solutions	-	-
Wholesale Purchasing	2,476,069	2,476,069
Other	-	221,381
Total	\$ 3,344,749	\$ 3,566,130

Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value, which is estimated based on the present value of expected future cash inflows. In the second quarter of 2021 management recognized an impairment loss of \$221,381 for the value of the Chagrin Safety goodwill as a result of the losses incurred since acquisition.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 7 - Line of Credit

Midwest Curtainwalls has a line of credit agreement with a bank to borrow up to \$1,500,000 to support working capital needs. Interest is payable monthly at the one-month LIBOR plus 2.75 percent (an effective rate of 2.8 and 2.9 percent at September 30, 2021 and December 31, 2020, respectively). The line of credit is collateralized by all assets of Midwest Curtainwalls. The balance outstanding on this line of credit was \$348,640 at September 30, 2021 and December 31, 2020.

In January 2019, the Company entered into a forbearance agreement with the bank (see Note 9), which prohibited additional borrowings under the line of credit. Additionally, the line of credit was to be repaid in monthly principal payments of \$50,000 through August 2019 and a final payment of \$48,640 which was due in September 2019. These payments have not yet been paid and the company is currently finalizing settlement in 2021.

In February 2020, Innovest entered into a business line of credit agreement with Ponte Investments. Pursuant to the agreement, Ponte Investments provided Innovest with a \$500,000 revolving line of credit secured by a pledge of our assets. We were required to pay a loan fee each month equal to 6% of the outstanding principal balance for that month. We could not draw more than 75% of the line without the approval of Ponte Investments. In September 2020, the line of credit limit was increased to \$750,000. We were required to pay a loan fee each month equal to 6% of the outstanding principal balance for that month. In October 2020 the Company was in default on this line of credit and in December 2020 we issued 3 million shares of our common stock to settle the outstanding balance of \$745,650.

Note 8 - Notes Payable

Ownership transitions before the acquisition of Midwest Curtainwalls and the acquisition of Midwest Curtainwalls by Innovest have caused the note payable and the line of credit to be in default and remedied through a forbearance agreement entered into in January 2019. The note was required to be paid in full by September 2019 as a result of the conditions of the forbearance. Accordingly, the note payable has been classified as a current liability.

On April 10, 2020, the Company was granted a loan (the "PPP Loan") from their bank in the amount of \$1.25 million pursuant to the Paycheck Protection Program (the "PPP"). This loan was fully forgiven on August 10, 2021.

On March 15, 2021, the Company was granted a loan (the "PPP Loan") from their bank in the amount of \$906,450 pursuant to the Paycheck Protection Program (the "PPP").

The Company may only use funds from the PPP Loan for purposes specified in the CARES Act and related PPP rules, which include payroll costs, including group health care benefits, rent and utilities. The Company intends to use the entire PPP Loan amount for qualifying expenditures. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenditures, as described in the CARES Act, during the eight to 24-week period commencing on the date of receipt of the PPP Loan proceeds.

Note 9 - Contingencies

The Company is a defendant in various lawsuits and a party to various other legal proceedings arising in the ordinary course of business, some of which are covered in whole or in part by insurance. When a loss arising from these matters is probable and can be reasonably estimated, the most likely amount of the estimated probable loss is recorded, or if a range of probable loss can be estimated and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recorded. As additional information becomes available, any potential liability related to these matters is assessed and the estimates revised, if necessary.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 9 - Contingencies (Continued)

Based on current available information, management believes that the ultimate outcome of these matters, including those described below, will not have a material adverse effect on our financial position, cash flows or overall trends in our results of operations. However, these matters are subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which the ruling occurs, or in future periods.

At the time of acquisition in December 2018, Midwest Curtainwalls had already entered into a sales contract for a large commercial project. For large contracts, Midwest Curtainwalls has historically been required by the general contractors of the construction projects to have a bond in place supporting the obligations of Midwest to the general contractor. The bonds are underwritten by an insurance company. For the large contract that Midwest had in place at the end of 2018 and into 2019, Midwest established a bond agreement with Zurich.

In July 2019, a dispute arose between Midwest Curtainwalls, the customer and subcontractors which resulted in the customer adjusting contract revenues while Midwest continued to incur costs. Midwest was still formally obligated to finish the contract but with the higher costs being incurred and lower receivables due to come in, the company could not support the payable requirements. Therefore, in August 2019, Midwest triggered the Funds Control Agreement as part of the bond in place with Zurich to allow the insurance company to take over payment of the costs on the project.

From August 2019, Zurich made payments to Midwest's vendors to cover outstanding payables and new costs as incurred. The liability to Zurich is presented as the bond contingencies of \$12,510,432 on the September 30, 2021 and December 31, 2020 balance sheet. There is no interest on the bond contingency as the underlying financial instrument was an insurance policy and not a loan. Final settlement of this commitment is in process of being negotiated with Zurich.

Note 10 – Deposit on Assets

In order to achieve the working capital required to accommodate rapid growth, Innovest Global entered into arrangements to obtain cash deposits underwritten by liens on the accounts receivable balances of the Company and its subsidiaries. Innovest entered into transactions to receive deposits in advance of future receivables in exchange for a discount on balances to the funders. The payoff timeline was approximately four months. On January 6, 2020, the Company signed an agreement with a third-party investor to pay off the remaining balances on the liens in exchange for shares of the Company's stock. As amounts were paid off against the open liens, the remaining balance for the particular lender was offset against paid in capital on the balance sheet. As of September 30, 2021 and December 31, 2020, the balance on these deposits was \$403,080 and \$651,394, respectively.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 11 - Revenue Recognition

The following table shows revenue from contracts with customers by business segments. Predominately all revenue is derived from customers within the midwestern part of the United States.

Segments	Three Months Ended September 30, 2021						Total
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Other	
Major goods/service lines:							
Goods	\$ -	\$ 186,407	\$ -	\$ -	\$ -	\$ -	\$ 186,407
Services & Other	-	-	657,888	-	-	-	657,888
Total Revenues	\$ -	\$ 186,407	\$ 657,888	\$ -	\$ -	\$ -	\$ 844,295
Timing of revenue recognition:							
Point in time	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Over time	-	186,407	657,888	-	-	-	844,295
Total Revenues	\$ -	\$ 186,407	\$ 657,888	\$ -	\$ -	\$ -	\$ 844,295

Segments	Three Months Ended September 30, 2020						Total
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Other	
Major goods/service lines:							
Goods	\$ 275,850	\$ 272,319	\$ -	\$ -	\$ -	\$ 177,853	\$ 726,022
Services & Other	-	-	463,039	-	-	-	463,039
Total Revenues	\$ 275,850	\$ 272,319	\$ 463,039	\$ -	\$ -	\$ 177,853	\$ 1,189,061
Timing of revenue recognition:							
Point in time	\$ 275,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,850
Over time	-	272,319	463,039	-	-	177,853	913,211
Total Revenues	\$ 275,850	\$ 272,319	\$ 463,039	\$ -	\$ -	\$ 177,853	\$ 1,189,061

Segments	Nine Months Ended September 30, 2021						Total
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Other	
Major goods/service lines:							
Goods	\$ 31,007	\$ 704,787	\$ -	\$ -	\$ -	\$ 3,691	\$ 739,485
Services & Other	-	-	1,910,263	-	-	-	1,910,263
Total Revenues	\$ 31,007	\$ 704,787	\$ 1,910,263	\$ -	\$ -	\$ 3,691	\$ 2,649,748
Timing of revenue recognition:							
Point in time	\$ 31,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,007
Over time	-	704,787	1,910,263	-	-	3,691	2,618,741
Total Revenues	\$ 31,007	\$ 704,787	\$ 1,910,263	\$ -	\$ -	\$ 3,691	\$ 2,649,748

Segments	Nine Months Ended September 30, 2020						Total
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Other	
Major goods/service lines:							
Goods	\$ 697,126	\$ 1,022,614	\$ -	\$ 2,215,565	\$ -	\$ 1,063,406	\$ 4,998,711
Services & Other	-	-	1,521,194	-	-	-	1,521,194
Total Revenues	\$ 697,126	\$ 1,022,614	\$ 1,521,194	\$ 2,215,565	\$ -	\$ 1,063,406	\$ 6,519,905
Timing of revenue recognition:							
Point in time	\$ 697,126	\$ -	\$ -	\$ 2,215,565	\$ -	\$ -	\$ 2,912,691
Over time	-	1,022,614	1,521,194	-	-	1,063,406	3,607,214
Total Revenues	\$ 697,126	\$ 1,022,614	\$ 1,521,194	\$ 2,215,565	\$ -	\$ 1,063,406	\$ 6,519,905

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 12 - Business Segment Information

Innovest Global reports its operating results into six segments which are below:

Energy Solutions: The Energy Solutions reportable segment provides an all-in-one offering of procurement and efficiency solutions for commercial and industrial customers including LED lighting and retrofits. This segment includes the operations of the previously acquired Shepherd Energy Solutions and Primary Metering Systems.

Energy Brokerage: The Energy Brokerage reportable segment provides competitive electricity and natural gas purchase programs for residential and commercial consumers, while giving energy suppliers the opportunity to extend special offers and savings to potential new customers. This segment includes the operations of H.P. Technologies.

Call Center Services: The Call Center Services reportable segment offers inbound and outbound call services on a short or long-term basis customized to client needs. This segment includes the operations of Contact Source Solutions.

Building Solutions: The Building Solutions reportable segment designs, engineers, tests and assembles curtainwall systems or other building solutions used in large custom construction projects. This segment includes the operations of Midwest Curtainwalls.

Wholesale Purchasing: The Wholesale Purchasing reportable segment is a national distributor of roofing, windows, fasteners and associated tools and accessories. This segment includes the operations of Authority National Supply which was established to create purchasing power amongst a group of independent building material providers by obtaining discounts from suppliers based on the collective buying power of its members.

Other: The remaining businesses and Corporate activities of Innovest are reported within the Other reportable segment. This reportable segment consists of the activities of Chagrin Safety Supply and Innovest Global Corporate spending.

We have also made a strategic investment in a cutting-edge biotechnology company called NovAccess that is developing novel therapies for brain tumor patients.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 12 - Business Segment Information (Continued)

The following tables provide selected information as of and for the three and nine months ended September 30, 2021 and 2020.

Three Months Ended September 30, 2021						
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Total
Revenue from external customers	-	186,407	657,888	-	-	844,295
Interest expense, net	-	27,098	29,591	-	-	58,834
Depreciation and amortization	-	6,183	147	12,531	1,420	22,615
Operating income (loss)	(218)	70,684	31,752	(17,531)	(1,420)	(243,051)
Gain on investment	-	-	-	-	-	1,993,500
PPP Loan forgiveness	-	-	-	-	-	(1,254,545)
Segment profit (loss)	(218)	43,587	2,160	(17,531)	(1,420)	(1,040,840)
Goodwill	-	267,890	600,790	-	2,476,069	3,344,749
Segment assets	64,677	552,323	715,762	2,669,361	2,985,420	11,043,353

Three Months Ended September 30, 2020						
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Total
Revenue from external customers	\$ 275,850	\$ 272,319	\$ 463,039	\$ -	\$ -	\$ 1,189,061
Interest expense, net	3,854	-	-	6,293	-	103,872
Depreciation and amortization	-	6,183	98	12,531	1,420	35,740
Operating income (loss)	60,721	(149,420)	14,807	(402,897)	(7,776)	(1,383,116)
Gain on investment	-	-	-	-	-	78,676
Noncash charge for adjustment to fair value of stock guarantee	-	1,120,239	(253,043)	-	-	867,196
Segment profit (loss)	56,867	(1,269,659)	267,851	(409,190)	(7,776)	(2,432,858)
Goodwill	1,179,346	267,890	600,790	-	2,476,069	4,745,476
Segment assets	1,241,695	651,973	715,432	2,719,605	2,989,679	9,866,986

Nine Months Ended September 30, 2021						
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Total
Revenue from external customers	31,007	704,787	1,910,263	-	-	2,649,748
Interest expense, net	-	110,392	55,694	-	-	225,223
Depreciation and amortization	-	18,550	441	37,592	4,259	67,720
Operating income (loss)	(215,910)	326,154	118,187	(38,754)	(22,259)	(2,211,870)
Gain on investment	-	-	-	-	-	(774,000)
PPP Loan forgiveness	-	-	-	-	-	(1,254,545)
Segment profit (loss)	(215,910)	215,761	62,494	(38,754)	(22,259)	(408,547)
Goodwill	-	267,890	600,790	-	2,476,069	3,344,749
Segment assets	64,677	552,323	715,762	2,669,361	2,985,420	11,043,353

Nine Months Ended September 30, 2020						
	Energy Solutions	Energy Brokerage	Call Center Services	Building Solutions	Wholesale Purchasing	Total
Revenue from external customers	\$ 697,126	\$ 1,022,614	\$ 1,521,194	\$ 2,215,565	\$ -	\$ 6,519,905
Interest expense, net	3,854	-	580	14,012	-	232,556
Depreciation and amortization	58,336	18,550	98	37,592	4,259	171,769
Operating income (loss)	(346,019)	(155,001)	85,612	319,351	(311,151)	(3,361,951)
Gain on investment	-	-	-	-	-	(4,582)
Noncash charge for adjustment to fair value of stock guarantee	-	1,120,239	(253,043)	-	-	867,196
Segment profit (loss)	(349,874)	(1,275,240)	338,077	305,338	(311,151)	(4,457,121)
Goodwill	1,179,346	267,890	600,790	-	2,476,069	4,745,476
Segment assets	1,241,695	651,973	715,432	2,719,605	2,989,679	9,866,986

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 13 - Leases

The Company determines if an arrangement is a lease at inception. The Company has leases for its facilities and office equipment, with remaining lease terms of 2.17 to 3.25 years. The Company's lease arrangements may contain both lease and non-lease components. The Company has elected to combine and account for lease and non-lease components as a single lease component for its facilities and office equipment leases. Payments under the Company's lease arrangements are fixed or in-substance fixed. Certain of these leases include options to extend the lease for up to five years, and some include options to terminate the lease early. These renewal and termination options are included in the calculation of the right-to-use asset and lease liability if they are reasonably certain of exercise. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The Company has elected to apply the short-term lease exception to all leases with an initial term of one year or less; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

Additional information about the Company's leases is as follows:

Lease costs for three months ended:

	September 30, 2021	September 30, 2020
Operating leases cost (included in operating expense)	\$ 34,100	\$ 181,720
Finance lease cost (included in interest expense and depreciation and amortization)	448	484
Total lease costs	\$ 34,548	\$ 182,204

Lease costs for nine months ended:

	September 30, 2021	September 30, 2020
Operating leases cost (included in operating expense)	\$ 102,300	\$ 546,786
Finance lease cost (included in interest expense and depreciation and amortization)	1,372	1,479
Short-term lease cost (included in operating expense)	-	16,651
Total lease costs	\$ 103,672	\$ 564,916

Other information:

Weighted average remaining lease term	3.24 years
Weighted average discount rate	12%

Lease liability maturities as of September 30, 2020, are as follows:

	Operating Leases	Finance Leases	Total
2021	35,100	450	35,550
2022	140,400	1,800	142,200
2023	140,400	1,650	142,050
2024	140,400	-	140,400
Total undiscounted liabilities	456,300	3,900	460,200
Less: Imputed interest	80,458	454	80,912
Total lease liabilities	\$ 375,842	\$ 3,446	\$ 379,288

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 14 - Stockholders' Equity

Stock Compensation and Other Stock Awards

At the end of 2019, the Company established an Equity Incentive Plan to provide stock-based compensation to employees. The Plan allows for the issuance of incentive stock options, non-qualified stock options and restricted stock units to participants eligible under the plan. The plan was approved by the Board of Directors in December 2019. In the first quarter 2020, the Company issued 150,000 incentive stock options awards to existing employees that vested immediately. Each incentive stock option gives the employee the right to purchase one share of common stock. The fair value of these options was determined based on a Black-Sholes Model that uses weighted average assumptions, including actual transactions of the Company's stock occurring around the time the share options were granted; expected volatility based on historical volatility of the Company and comparable, or guideline, public companies; the expected term of options granted representing the period of time that options granted are expected to be outstanding, which takes into account the options' vesting and contractual term elements; a dividend yield; and a discount rate for periods within the contractual life of the option which is based on the U.S. Treasury yield curve in effect at the time the options are granted. This amount is included in operating expense on the Consolidated Statement of Operations and in additional paid-in capital on the Consolidated Balance Sheet. For the three months ended September 30, 2021 and 2020, the Company recognized \$0 in stock compensation expense. For the nine months ended September 30, 2021 and 2020, the Company recognized \$114,565 and \$499,793 in stock compensation expense, respectively.

Common and Preferred Stock

In the first quarter of 2021, 150,000 shares of preferred stock were converted to 15,000,000 shares of common stock. There was no preferred stock activity in 2020.

Note 15 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 15 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The following tables present information about the Company's assets and liabilities measured at fair value at September 30, 2021 and December 31, 2020.

	September 30, 2021		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	(Level 1)	(Level 2)	(Level 3)
Assets			
Cash and cash equivalents	\$ 12,086	\$ -	\$ -
Accounts receivable	2,530,561	-	-
Total assets	\$ 2,542,647	\$ -	\$ -
Liabilities			
Accounts payable	\$ 4,100,755	\$ -	\$ -
Bank line of credit	348,640	-	-
Note payable	234,296	-	-
Deposit on assets	403,080	-	-
Shareholder loan payable	196,766	-	-
Share issuance liability	-	-	900,000
PPP and EIDL loans payable	916,450	-	-
Stock guarantee	-	-	4,818,000
Total liabilities	\$ 6,199,987	\$ -	\$ 5,718,000

	December 31, 2020		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	(Level 1)	(Level 2)	(Level 3)
Assets			
Cash and cash equivalents	\$ 35,310	\$ -	\$ -
Accounts receivable	2,530,671	-	-
Total assets	\$ 2,565,981	\$ -	\$ -
Liabilities			
Accounts payable	\$ 4,012,511	\$ -	\$ -
Bank line of credit	348,640	-	-
Note payable	334,644	-	-
Deposit on assets	651,394	-	-
Shareholder loan payable	315,038	-	-
Share issuance liability	-	-	900,000
PPP and EIDL loans payable	1,264,545	-	-
Stock guarantee	-	-	4,818,000
Total liabilities	\$ 6,926,772	\$ -	\$ 5,718,000

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 16 - Stock Guarantee Liability

In connection with business combinations (see Note 4), Innovest Global, Inc. has recorded contingent consideration in the form of a guaranteed stock price at a future date. Should the stock price not reach the guaranteed market price by the agreed-upon date, the Company has guaranteed the difference in the form of issuance of additional shares of stock. The stock guarantee liability is assessed for changes in value at least on an annual basis, at December 31, or upon changes in the underlying contract agreements. The maximum potential payments under these guarantees are equal to the number of shares multiplied by the guaranteed stock price. The Company has recorded a stock guarantee liability upon issuance of the guarantee and had adjusted the fair value at December 31, 2019 to \$8,118,000. Adjustments to the liability are recorded in the accompanying consolidated statement of operations as nonoperating expense.

This liability is measured at fair value on an annual basis using Level 3 fair value measurements. Specifically, the Company has estimated the fair value using a Monte Carlo simulation that is affected by the Company's stock price, as well as assumptions regarding a number of complex and subjective variables. Changes to contingent consideration obligations can result from movements in publicly traded stock prices of Innovest Global, adjustments to discount rates, expected stock price volatility, estimated dividend rates, estimated counterparty risk, periods, and updates in the assumed achievement or timing of exceeding any target stock price. The assumptions related to determining the value of a contingent consideration include a significant amount of judgment, and any changes in the assumptions could have a material impact in any given period. In determining the fair value, the Company used the following significant unobservable inputs:

- Expected stock price volatility - 75 percent
- Risk-free interest rate - Ranges from 1.89 percent to 3.19 percent
- Counterparty credit risk (discount rate) - 30 percent
- Dividend rate - 0 percent

On March 18, 2019, the Company entered into an agreement to issue 1,500,000 restricted common shares in exchange for the cancellation of the stock guarantee related to the Shepherd Energy, LLC acquisition, whereby the 5,790,000 shares were guaranteed to have a trading value of \$1 per share by December 2019. Management calculated the guarantee value at the date of settlement and then this amount was removed from the balance sheet as a gain on the settlement. This termination resulted in a non-operating gain to Innovest of \$2.47 million. Consideration for the termination agreement was 1.5 million shares paid equally to the three former principals. The expense associated with this share issuance was \$478,350, which was booked as an offset to this gain.

On September 4, 2020, the Company entered into an agreement to issue 8,281,250 restricted common shares in exchange for the cancellation of the stock guarantee related to the Contact Source Solutions, LLC acquisition, whereby the 2,500,000 shares were guaranteed to have a trading value of \$1 per share by March 22, 2020. Management calculated the guarantee value at the date of settlement and then this amount was removed from the balance sheet as a gain on the settlement. This termination resulted in a non-operating gain to Innovest of \$253 thousand. Consideration for the termination agreement was 8.3 million shares paid to the four former principals.

On September 15, 2020, the Company entered into an agreement to issue 11,543,479 restricted common shares in exchange for the cancellation of the stock guarantee related to the H.P. Technologies, Inc. acquisition, whereby the 1,500,000 shares were guaranteed to have a trading value of \$1 per share by March 22, 2020. Management calculated the guarantee value at the date of settlement and then this amount was removed from the balance sheet as a loss on the settlement. This termination resulted in a non-operating loss to Innovest of \$1.1 million. Consideration for the termination agreement was 11.5 million shares paid to the former principal.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Note 17 - Related Party Transactions

The officers and directors of the Company are involved in other business activities. They may face a conflict of interests between the Company and other business interests. The Company has not formulated a policy to address such conflicts.

Damon Mintz, former Director and President of Innovest Global, joined the management team in January 2018 upon the acquisition of Shepherd Energy. From January 2018, Mr. Mintz served as the President of what has become the Innovest Energy group and then in January 2019 was promoted to the President of Innovest Global. In October 2019, he was appointed to the Innovest Board of Directors. As of December 31, 2020 Damon Mintz is no longer employed by the Company. As of September 30, 2021 and December 31, 2020, there was a loan payable to Damon Mintz of \$47,200.

The former President of H.P. Technologies owns a company that licenses energy broker software. The Company has contracted with this related party to utilize the software through a service agreement at an annual cost of \$240,000, reduced in May of 2020 to \$120,000. For the nine months ended September 30, 2021 and 2020, the Company paid \$0 and \$260,000 to this related party, respectively.

TN3, LLC is a company owned and controlled by the Company's chairman and CEO, Daniel Martin. TN3, LLC is also a significant shareholder of Innovest Global. As of September 30, 2021 and December 31, 2020, there was a loan payable to TN3, LLC of \$196,766 and \$315,038 respectively. There was also a loan payable to Daniel Martin of \$56,000 as of September 30, 2021 and December 31, 2020.

Note 18 – Subsequent Events

In preparing the consolidated financial statements, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through November 19, 2021, the date that the consolidated financial statements were available to be issued.

As a result of the spread of the COVID-19 during 2020, economic uncertainties have arisen as of the date of the consolidated financial statements. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the Company's customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain.