
Innovest Global, Inc.

**Consolidated Financial Report
September 30, 2019 & 2018**

Consolidated Financial Statements

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Consolidated Balance Sheet

	Period Ended	
	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 614,988	\$ 390,186
Accounts receivable:		
Trade	7,840,023	320,863
Retentions	843,922	
Inventory	40,925	4,915
Cost in excess of billings	6,300,554	-
Backlog	-	-
Subscription Receivable	-	-
Notes Receivable	-	25,000
Prepaid expenses and other current assets	8,286	116,271
Total current assets	\$15,648,697	\$ 857,235
Property and Equipment – Net (Note 6)	309,170	-
Goodwill (Note 7)	5,295,770	82,381
Intangible Assets - Net (Note 7)	324,000	-
Other Assets:		
Leasehold Improvements	5,000	-
Investment (Note 5)	141,742	-
Deposits	-	-
Other noncurrent assets	12,410	132,000
Total other assets	\$ 159,152	\$ 132,000
Total assets	\$21,736,788	\$ 1,071,616

Consolidated Balance Sheet (Continued)

	Period Ended September 30,	
	2019	2018
Current Liabilities:		
Accounts payable	9,815,323	320,026
Billings in excess of cost and estimated earnings	-	-
Bank line of credit (Note 8)	348,640	-
Current portion of LT Debt	-	-
Notes payable (Note 9)	107,576	-
Bond Payable (Note 10)	5,630,755	-
Deposit on Assets (Note 11)	644,695	-
Accrued and other current liabilities:		
Accrued Compensation	236,184	-
Deferred Compensation	-	-
Accrued Expenses	24,769	12,472
Other accrued liabilities	395,929	165,779
Total current liabilities	\$ 17,203,870	\$ 498,277
Shareholder Loan Payable (Note 15)	162,300	
Stock Guarantee Liability (Notes 4 and 14)	4,449,000	
Share Issuance Liability (Note 4)	750,000	
Other Long Term Liabilities	44,812	
Total liabilities	\$22,609,982	\$ 498,277
Stockholders' Equity (Deficit):		
Common stock, par value \$0.001 per share: Authorized shares: 500,000,000 in 2018 and 2017 Issued and outstanding shares: 148,338,959 at September 30, 2019 and 109,188,071 at September 30, 2018	148,339	109,188
Preferred stock, par value \$0.001 per share: Authorized shares: 10,000,000 in 2019 and 2018 Issued and outstanding shares: 1,250,000 at September 30, 2019 and 1,250,000 at September 30, 2018	1,250	1,250
Stock subscriptions, common shares: 0 at September 30, 2019 and 16,193,183 at September 30, 2018	-	312,000
Additional paid-in capital	3,884,973	996,453
Retained deficit	(4,907,756)	(845,552)
Total stockholders' equity (deficit)	\$ (873,194)	\$ 573,339
Total liabilities and stockholders' equity (deficit)	\$21,736,788	\$ 1,071,616

Consolidated Statement of Income (Loss)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net Sales	\$ 17,638,128	\$ 1,064,152	\$ 47,423,657	\$ 2,874,323
Cost of Sales	15,218,258	602,351	44,516,698	1,512,362
Gross Profit	\$ 2,419,870	\$ 461,801	\$ 2,906,959	\$ 1,361,961
Operating Expenses	1,887,907	722,978	5,086,633	1,993,443
Operating Income / (Loss)	\$ 531,963	\$ (261,177)	\$ (2,179,674)	\$ (631,482)
Non-operating Income (Expenses)				
Interest income				
Other income	(2,792)	8,380	68,162	31,950
Loss on Asset Sale - A/R	(135,798)	-	(384,755)	
Fair value adjustment for stock guarantee liability credit	-	-	2,470,000	
Total nonoperating income	(138,589)	8,380	2,153,407	31,950
Consolidated Net Profit/(Loss)	\$ 393,374	\$ (252,797)	\$ (26,267)	\$ (599,532)
Net Gain/(Loss) Per Share - Basic	\$ 0.003	\$ (0.002)	\$ (0.000)	\$ (0.005)
Net Gain/(Loss) Per Share - Diluted	\$ 0.001	\$ (0.001)	\$ (0.000)	\$ (0.003)
Weighted average Common Shares Outstanding - Basic	148,338,959	109,188,071	148,338,959	109,188,071
Weighted average Fully Diluted Common Shares	273,338,959	234,188,071	273,338,959	234,188,071

Consolidated Statement of Stockholders' Equity (Deficit)

	Common Stock	Preferred Stock	Stock Subscriptions	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - December 31, 2018	\$ 141,050	\$ 1,250	\$ 342,000	\$ 3,432,969	\$ (5,197,499)	\$ (1,280,230)
Consolidated net loss	-	-	-	-	289,743	289,743
Issuance of common shares	7,289	-	-	-	-	7,289
Stock subscriptions issued	-	-	(342,000)	-	-	(342,000)
Balance – September 30, 2019	\$ 148,339	\$ 1,250	\$ -	\$ 3,884,973	\$ (4,907,756)	\$ (1,325,198)

Consolidated Statement of Cash Flows

	Nine Month Period Ended	
	September 30,	
	2019	2018
Net Gain/ (Loss)	\$ (26,267)	\$ (599,532)
Cash Flows from Operating Activities		
Depreciation & Amortization	78,437	-
Adjustment for stock guarantee liability	(2,470,000)	-
Change in non current assets	16,762	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(3,875,241)	(322,415)
Inventory	(10,554)	979
Costs and estimated earnings in excess of billings	(6,300,554)	-
Prepaid expenses and other assets	117,897	(116,271)
Accounts payable	6,237,644	363,937
Accrued expenses	106,785	12,472
Billings in excess of costs and estimated earnings	(1,523,824)	-
Accrued and other liabilities	235,958	51,183
Net cash used in operating activities	(7,412,957)	(609,647)
Cash Flows from Investing Activities		
Leasehold Improvements	(5,000)	-
Investment in StemVax		(17,500)
Net cash provided by (used in) investing activities	(5,000)	(17,500)
Cash Flows from Financing Activities		
Proceeds on stock subscriptions	342,000	1,013,500
Proceeds from bond payable (Note 10)	5,630,755	-
Proceeds from cash advances (deposit on assets) (Note 11)	644,695	-
Proceeds from shareholder loan (Note 15)	162,300	-
Proceeds from stock issuances	459,293	-
Net cash provided by financing activities	7,239,042	1,013,500
Net Increase in Cash and Cash Equivalents	\$ (178,915)	\$ 386,353
Cash and Cash Equivalents – Beginning of Period	\$ 793,903	\$ 3,833
Cash and Cash Equivalents – End of Period	\$ 614,988	\$ 390,186

Note 1 - Nature of Business

Innovest Global, Inc. (the "Company" 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 was changed to operate as a diversified industrials company with biotechnology holdings.

Innovest Global is a diversified industrial company providing value-added solutions across multiple business sectors. The Company is reported into two segments, Commercial Solutions and Wholesale Purchasing. The Company's Commercial Solutions segment is a fabricator of large curtainwall systems and provides energy consumption solutions for high-use commercial and industrial customers to lower demand, improve utilization and drastically reduce spending. The Wholesale Purchasing segment includes a distributor of building supplies to independent building materials providers.

Commercial Solutions

The Commercial Solutions segment provides products and services to companies across multiple industries including energy, commercial construction, and safety supplies.

Innovest Energy Group creates solutions which are custom-tailored to drastically reduce customers energy spend, protect infrastructure investment, and provide sources of project funding. The energy services business also includes energy broker services for both residential and commercial businesses throughout Ohio.

Midwest Curtainwalls provides building material solutions in the commercial industry. For nearly 50 years, the company has designed, engineered and manufactured non-structural curtainwall solutions for large commercial building development.

This segment also includes two other operating companies, Contact Source Solutions, LLC and Chagrin Safety Supply, LLC. Contact Source Solutions provides inbound and outbound call center services to commercial and industrial clients. Chagrin Safety Supply is a leading supplier of personal protection equipment, apparel and safety supplies serving the medical, dental, industrial and construction industries.

Wholesale Purchasing

The Wholesale Purchasing segment is composed of Authority National Supply, which is a national distributor of roofing, windows, fasteners and associated tools and accessories. Authority National Supply 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.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Going Concern

The Company has a history of recurring losses that has resulted in a stockholders' deficit of \$873,194 as of September 30, 2019 and \$1,280,230 as of September 30, 2018. For the nine month period ended September 30, 2019, the Company had a loss of \$26,267 and used net cash of \$7,412,957 in operating activities. The Company was able to obtain \$7,239,042 from financing activities largely through a Bond Payable (see Note 10). For the nine month period ended September 30, 2018, the Company recognized a net loss of \$599,532 and used net cash of \$609,647 in operating activities.

The Company's consolidated financial statements are prepared assuming that the Company will continue as a 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 when they come due.

Management plans to additionally increase cash flow by acquiring and/or developing profitable businesses that will create positive income from operations, obtaining debt through loans from directors, and/or issuing common shares. 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.

Principles of Consolidation

The financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

The Company considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Note 2 - Significant Accounting Policies (Continued)

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

Accounts receivable are stated at net invoice amounts. Based on management's review of outstanding receivable balances and historical collection information, management's best estimate is that all balances will be collected. Accordingly, the Company has not established an allowance for doubtful accounts.

Inventory

Inventory is stated at the lower of cost or net realizable value, with cost determined on the weighted-average method. Inventory only 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 are recorded at cost. 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.

Goodwill

The recorded amounts of goodwill from business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized, but rather is assessed at least on an annual basis for impairment. 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.

During 2018, management determined that the carrying amount of the H.P. Technologies exceeded its fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of \$25,169 was recognized in 2018.

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. Intangible assets consist of trade names and customer lists and are amortized over 15 years.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Revenue Recognition

The Company's revenue is derived primarily from part sales, services, and the design and manufacture of custom products. These revenue streams are described below relative to each operating component. Transaction prices are specified in each contract and are not typically variable. If the consideration agreed to in a contract includes a variable amount, the Company will estimate the amount of consideration it expects to be entitled to in exchange for transferring the promised goods or services to the customer.

Commercial Solutions

Within the Commercial Solutions segment, the Company has performance obligations for providing lighting, curtainwall design and installation services. The Company recognizes revenue as costs are incurred (the input method), which best measures progress and results in a right to payment. The production cycle for customer contracts in the Energy space is generally less than three months. The Company uses standard, generally accepted payment terms; customers typically pay upon completion of the service or are billed. There are no significant obligations for warranties, refunds, or similar obligations. In some situations, the Company bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Company recognizing contract liabilities.

For the manufacturing of custom commercial curtainwall solutions, the Company has performance obligations for the window solution that are recognized over time based on the contract terms. The Company recognizes revenue as costs are incurred (the input method), which best measures progress and results in a right to payment. The production cycle for customer contracts is generally less than 12 months. The Company uses standard, generally accepted payment terms; customers either pay at delivery of the product or are billed upon milestones achieved. A portion of amounts billed are held back as retainage and are generally paid upon project completion. Warranty terms cover the product workmanship and guarantee the product work as intended.

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.

For distributed part sales, the Company has a performance obligation to deliver goods in accordance with the terms and conditions of the contract. Revenue is recognized at a point in time when the Company transfers control to customers, either evidenced by shipment or delivery to customer when title and risk of loss pass. The Company uses standard, generally accepted payment terms, which require payment upon delivery or within 30 days. There are no significant obligations for refunds, warranties, or similar obligations.

For call center services, the Company has performance obligations for providing staffing resources and recognizes revenue on a monthly basis based on staff hours spent. The customer is invoiced monthly and has 30-day payment terms.

Wholesale Purchasing

The Company distributes building supplies to vendors and leverages the purchasing power of the group to those participating. Revenue is recognized at a point in time based on when the products are shipped. 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.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

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 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 antidilutive and, thus, are excluded from the calculation.

Restricted Stock Awards

Stock issued to employees and to nonemployees for services consumed by the company are recognized compensation expense or as applicable operating expenses based on the fair value of the stock on the grant date of the shares issued. See Note 14 for more information.

Shipping and Handling Costs

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which supersedes the current lease accounting requirements. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. In addition, this standard requires lessees to disclose certain key information about lease transactions. Upon implementation, an entity's lease payment obligations will be recognized at their estimated present value along with a corresponding right-of-use asset. Lease expense recognition will be generally consistent with current practice. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which simplifies adoption of the new lease accounting requirements by allowing an additional transition method that will not require restatement of prior periods and providing a new practical expedient for lessors to avoid separating lease and non-lease components within a contract if certain requirements are met. The provisions of this guidance must be elected upon adoption of the new lease accounting requirements, which will be effective for interim and annual periods beginning after December 15, 2018.

We will adopt the standard as required on January 1, 2019 and use that date as our date of initial application of the guidance. Consequently, we will not update previously reported financial information, and the disclosures under the new standard will not be provided for dates and periods prior to January 1, 2019. We will elect all of the practical expedients available under the transition guidance. The new standard also provides practical expedients for ongoing accounting. We will elect the short-term lease recognition exemption for all leases that qualify. This means we will not recognize right-of-use assets or lease liabilities for those leases. We will also elect the practical expedient to not separate lease and non-lease components for all of our leases.

We expect that this standard will have a material impact on our financial statements. While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to the recognition of new right-of-use assets and lease liabilities on our consolidated balance sheet for our real estate operating leases and the significant new required disclosures regarding our leasing activities. Upon adoption, we expect to recognize additional operating lease liabilities of approximately \$700,000, with corresponding right-of-use assets for the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable, by requiring the Company to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Company's year ending December 31, 2020. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Early adoption is permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact this standard will have on the financial statements.

Note 3 - New Accounting Principles

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the guidance for revenue recognition. This amendment contains principles that require an entity to recognize revenue to depict the transfer of promised goods and services to customers at an amount an entity expects to be entitled to in exchange for those promised goods or services. The Company adopted this amendment on January 1, 2018, using the modified retrospective method for all contracts for which performance was not completed as of January 1, 2018. There was no adjustment to opening equity as a result of the adoption of ASC 606, as there was no change to recognizing revenue from current practice. See also Note 10 for additional details on revenue recognition.

ASU No. 2016-01, Financial Instruments (Topic 825)

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU covers various changes to the accounting, measurement, and disclosures related to certain financial instruments, including requiring equity investments to be accounted for at fair value with changes recorded through earnings, the use of the exit price when measuring fair value, and disaggregation of financial assets and liabilities by category for disclosure purposes. The ASU also provides guidance on the accounting treatment for measurement of equity investments that do not have a readily determinable fair value. This new guidance is effective for the Company's year ended December 31, 2018. See Note 5 for the impact this standard has on the financial statements.

ASU No. 2017-04, Intangibles - Goodwill (Topic 350)

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*. The standard simplifies the subsequent measurement of goodwill, requiring only a single-step quantitative test to identify and measure impairment based on the excess of a reporting unit's carrying amount over its fair value, instead of the current two-step test. A qualitative assessment may still be completed first to determine if a quantitative impairment test is required. While this standard is effective on a prospective basis for fiscal years beginning after December 15, 2019 for public business entities, the Company has decided to early adopt the standard as of December 31, 2018 in assessing goodwill impairment. See Note 7 for the impact this standard has on the financial statements.

ASU No. 2018-07, Compensation - Stock Compensation (Topic 718)

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Based Payment Accounting (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. This amendment expands the scope of Topic 718 to include nonemployee awards for acquiring goods and services from nonemployees. This amendment treats employee and nonemployee stock-based awards the same, which is to measure the transaction at the grant-date fair value of the equity instruments that the entity is obligated to issue when the good has been delivered or the service has been rendered. While the standard is effective for fiscal years beginning after December 15, 2018, the Company has decided to early adopt the standard to account for its stock-based awards in order to simplify measurement processes as of January 1, 2018. See Note 14 for the impact this standard has on the financial statements.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 4 - Business Combinations

Chagrin Safety Supply

On October 23, 2017, the Company entered into an asset purchase agreement with Chagrin Safety Supply, pursuant to which the Company purchased substantially all the assets and assumed certain liabilities of Chagrin Safety Supply. The complementary strength of certain company businesses are expected to create product and distribution synergies. The Company is expected to gain entry into new product categories by the association with other commercial companies acquired. The purchase price consisted of cash, shares of the Company's restricted common stock, and a stock guarantee.

Cash	\$ 750
Equity instruments (750,000 common shares of the Company)	5,774
Stock guarantee liability	<u>139,000</u>
Fair value of total consideration transferred	<u>\$ 145,524</u>

The fair value of the 750,000 shares issued as part of the consideration transferred for Chagrin Safety Supply was determined on the basis of the value of shares trading near the time of acquisition.

Under the terms of the acquisition agreement, the former stockholders of Chagrin Safety Supply are guaranteed that the value of the 750,000 shares issued will be trading at \$1 per share by the fourth anniversary of the acquisition, or October 23, 2021. The value of this guarantee was determined to be \$139,000 at the time of acquisition. This amount has been included in the total consideration transferred and the goodwill recognized. See Note 14 regarding the valuation methodology and key assumptions made in the determination of this liability at date of acquisition and at year end.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash	\$ 453
Accounts receivable	24,200
Inventories	9,176
Accounts payable	(45,882)
Accrued liabilities	<u>(63,804)</u>
Total identifiable net assets	(75,857)
Goodwill	<u>221,381</u>
Total	<u>\$ 145,524</u>

The fair value of financial assets includes accounts receivable with a contractual amount due of \$24,200, which is expected to be collected in the full amount. The goodwill arising from the acquisition consists primarily of the going-concern element of the existing business (the higher rate of return on the assembled collection of net assets versus if the Company had acquired all of the net assets separately). There were no acquisition costs related to this transaction.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 4 - Business Combinations

Shepherd Energy

Effective on January 1, 2018, the Company acquired 100 percent of the equity of Shepherd Energy, LLC (Shepherd Energy). The primary reason for the acquisition was to launch a commercial energy division and further diversify the Company's portfolio. The purchase price consisted of shares of the Company's restricted common stock and a stock guarantee.

The following table summarizes the fair value of the consideration transferred as part of the acquisition of Shepherd Energy:

Equity instruments (5,790,000 common shares of the Company)	\$ 185,280
Stock guarantee liability	<u>1,000,000</u>
Fair value of total consideration transferred	<u>\$ 1,185,280</u>

The fair value of the 5,790,000 shares issued as part of the consideration transferred for Shepherd Energy was determined on the basis of the value of shares trading near the time of acquisition.

Under the terms of the acquisition agreement, the former stockholders of Shepherd Energy had been guaranteed that the issued stocks will be worth \$1 per share and \$5,790,000 in the aggregate at December 28, 2019. The value of this guarantee was determined to be \$1,000,000 at the time of acquisition. See Note 14 regarding the valuation methodology and key assumptions made in the determination of this liability at date of acquisition and at year end.

In the first quarter 2019, negotiations with the former principals of Shepherd resulted in the execution of an agreement terminating the Administrative Agreement and the Guarantee. This termination resulted in a non-operating gain to Innovest of \$2.47 million and consideration for the termination agreement was 1.5 million shares paid equally to the three former principals (one of which is Damon Mintz, Innovest's president). Prior to the termination, principal Jeffrey Simler had been running Shephard. Subsequent to the termination agreement Mr. Simler declined an employment agreement offer and left the Company unexpectedly, resulting in a management void. This void left two support personnel and no leadership, resulting in the elimination of the Shepherd initiative.

As Shepherd had incurred losses, the remaining personnel were reassigned to the "Innovest Energy Group", which is now representative of a combined initiative of procurement (see H.P. Technologies below), efficiency solutions (see Primary Metering Solutions below), and branded lighting products being sold under the Innovest Energy Group brand.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash	\$ 13,859
Accounts receivable	7,152
Other current assets	41,749
Accounts payable	<u>(56,826)</u>
Total identifiable net assets	5,934
Goodwill	<u>1,179,346</u>
Total	<u>\$ 1,185,280</u>

The fair value of financial assets includes accounts receivable with a contractual amount due of \$7,152, which is expected to be collected in the full amount. The goodwill arising from the acquisition consists primarily of the going-concern element of the existing business (the higher rate of return on the assembled collection of net assets versus if the Company had acquired all of the net assets separately). There were no acquisition-related costs related to this transaction.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 4 - Business Combinations

Primary Metering Solutions

On January 1, 2019, the Company acquired 100 percent of the assets of Primary Metering Solutions, LLC (Primary Metering Solutions), an Ohio-based company. The primary reason for the acquisition was to allow the energy group the ability to directly provide procurement solutions to clients, as this subsidiary is fully licensed in all energy-deregulated states for commercial and industrial energy brokerage. The purchase price consisted of shares of the Company's restricted common stock, cash, and a stock guarantee.

The following table summarizes the fair value of the consideration transferred as part of the acquisition.

Cash	\$ 25,000
Equity instruments (1,000,000 common shares of the Company)	<u>150,000</u>
Fair value of total consideration transferred	<u>\$ 175,000</u>

The fair value of the 1,000,000 shares issued as part of the consideration transferred for Primary Metering Solutions was determined on the basis of the value of other restricted shares issued at the time of acquisition.

Primary Metering Solutions is a startup company whereby the company purchased the assets and contracts for the business.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 4 - Business Combinations

Contact Source Solutions

On January 15, 2018, the Company acquired 100 percent of the equity interest of Contact Source Solutions. The primary reason for the acquisition was to increase revenue stream, as well as establish a business unit that can provide marketing solutions for the other business units. The purchase price consisted of shares of the Company's restricted common stock and a stock guarantee.

The following table summarizes the fair value of the consideration transferred as part of the acquisition of Contact Source Solutions:

Equity instruments (2,500,000 common shares of the Company)	\$ 43,875
Stock guarantee liability	<u>500,000</u>
Fair value of total consideration transferred	<u>\$ 543,875</u>

The fair value of the 2,500,000 shares issued as part of the consideration transferred for Contact Source Solutions was determined on the basis of the value of shares trading near the time of acquisition.

Under the terms of the acquisition agreement, the former stockholders of Contact Source Solutions are guaranteed that the issued stocks will be worth \$1 per share and \$2,500,000 in the aggregate at March 22, 2020. The value of this guarantee was determined to be \$500,000 at the time of acquisition. See Note 14 regarding the valuation methodology and key assumptions made in the determination of this liability at date of acquisition and at year end.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash	\$ 12,375
Accounts receivable	103,087
Accounts payable	(21,670)
Accrued liabilities	<u>(56,769)</u>
Total identifiable net assets	37,023
Goodwill	<u>506,852</u>
Total	<u>\$ 543,875</u>

The fair value of financial assets includes accounts receivable with a contractual amount due of \$103,087, which is expected to be collected in the full amount. The goodwill arising from the acquisition consists primarily of the going-concern element of the existing business (the higher rate of return on the assembled collection of net assets versus if the Company had acquired all of the net assets separately). There were no acquisition-related costs related to this transaction.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 4 - Business Combinations

H.P. Technologies

On March 22, 2018, the Company acquired 100 percent of the outstanding common shares of H.P. Technologies. The primary reason for the acquisition was to strengthen the commercial energy division and further diversify the Company's portfolio. The purchase price consisted of shares of the Company's restricted common stock and a stock guarantee.

The following table summarizes the fair value of the consideration transferred as part of the acquisition of H.P. Technologies:

Equity instruments (1,500,000 common shares of the Company)	\$ 30,000
Stock guarantee liability	<u>600,000</u>
Fair value of total consideration transferred	<u>\$ 630,000</u>

The fair value of the 1,500,000 shares issued as part of the consideration transferred for H.P. Technologies was determined on the basis of the value of shares trading near the time of acquisition.

Under the terms of the acquisition agreement, the former stockholders of Contact Source Solutions are guaranteed that the issued stocks will be worth \$1 per share and \$1,500,000 in the aggregate at March 22, 2020. The value of this guarantee was determined to be \$600,000 at the time of acquisition. See Note 14 regarding the valuation methodology and key assumptions made in the determination of this liability at date of acquisition and at year end.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash	\$ 65,508
Accounts receivable	128,469
Intangible asset - Trade names	131,000
Intangible asset - Customer contracts	229,000
Commissions payable	(64,586)
Accrued liabilities	<u>(65,509)</u>
Total identifiable net assets	423,882
Goodwill	<u>206,118</u>
Total	<u>\$ 630,000</u>

The fair value of financial assets includes accounts receivable with a contractual amount due of \$128,469, which is expected to be collected in the full amount. The goodwill arising from the acquisition consists primarily of the going-concern element of the existing business (the higher rate of return on the assembled collection of net assets versus if the Company had acquired all of the net assets separately) and an assembled workforce. There were no acquisition-related costs related to this transaction.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 4 - Business Combinations

Authority National Supply

On November 5, 2018, the Company acquired 100 percent of the member units of Authority National Supply. The primary reason for the acquisition was to strategically expand within the building supply distribution industry. The purchase price consisted of cash, shares of the Company's restricted common stock, and a stock guarantee.

The following table summarizes the fair value of the consideration transferred as part of the acquisition of Authority National Supply:

Cash	\$ 55,000
Equity instruments (5,000,000 common shares of the Company)	750,000
Stock guarantee liability	<u>1,700,000</u>
Fair value of total consideration transferred	<u>\$ 2,505,000</u>

The fair value of the 5,000,000 shares to be issued as part of the consideration transferred for Authority National Supply was determined on the basis of the value of other restricted shares issued at the date of the transaction. These shares were not issued until 2019; consequently, the Company has recorded the commitment to issue the shares as a liability as of December 31, 2018. This fair value of this share issuance liability has been measured based on the value of other restricted shares issued at the date of the transaction.

Under the terms of the acquisition agreement, the former members of Authority National Supply are guaranteed that the issued stocks will be worth \$1 per share and \$5,000,000 in the aggregate at November 5, 2020. The value of this guarantee was determined to be \$1,700,000 at the time of acquisition. See Note 14 regarding the valuation methodology and key assumptions made in the determination of this liability at date of acquisition and at year end.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash	\$ 88,224
Accounts receivable	2,054,311
Property, plant, and equipment	19,709
Other assets	14,096
Accounts payable	(2,104,464)
Accrued liabilities	<u>(66,043)</u>
Total identifiable net assets	5,833
Goodwill	<u>2,499,167</u>
Total	<u>\$ 2,505,000</u>

The fair value of financial assets includes accounts receivable with a contractual amount due of \$2,054,311, which is expected to be collected in the full amount. The goodwill arising from the acquisition consists primarily of future business growth and the going-concern element of the existing business (the higher rate of return on the assembled collection of net assets versus if the Company had acquired all of the net assets separately). Acquisition-related costs, which include legal, accounting, and valuation fees, totaled \$68,261 and have been included in operating expenses in the accompanying consolidated statement of operations.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 4 - Business Combinations

Midwest Curtainwalls

On December 1, 2018, the Company acquired 100 percent of the outstanding common shares of Midwest Curtainwalls. The primary reason for the acquisition was to expand its penetration in the building materials segment, as well as geographic reach. At the time of purchase, the Midwest Curtainwalls shares were held in an estate that was not in a position to continue to manage the operations. The estate needed to sell the company by a certain date and did not have time to properly market it to other potential buyers. The purchase price consisted of shares of the Company's restricted common stock, contingent consideration, and a stock guarantee.

The following table summarizes the fair value of the consideration transferred as part of the acquisition of Midwest Curtainwalls:

Equity instruments (2,000,000 common shares of the Company)	\$ 300,000
Contingent consideration	32,000
Stock guarantee liability	<u>750,000</u>
Total	<u>\$ 1,082,000</u>

The fair value of the 2,000,000 shares issued as part of the consideration transferred for Midwest Curtainwalls was determined on the basis of the value of other restricted shares issued at the time of acquisition.

Contingent consideration consists of a success fee based on the profitability of current jobs in progress.

All of the 2,000,000 shares issued in connection with this agreement are subject to a stock guarantee as follows. Under the terms of the acquisition agreement, the former members of Midwest Curtainwalls are guaranteed that the 1,600,000 of issued stocks will be worth \$1.25 per share and \$2,000,000 in the aggregate at December 1, 2020. The value of this guarantee was determined to be \$600,000 at the time of acquisition. In addition, the 400,000 shares issued to settle a shareholder loan are guaranteed to be trading at \$1.00 per share or \$400,000 in the aggregate at December 1, 2020. The value of this guarantee was determined to be \$150,000 at the time of acquisition.

See Note 14 regarding the valuation methodology and key assumptions made in the determination of this liability at the date of acquisition and at year end.

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash	\$ 133,348
Accounts receivable	2,711,384
Inventory	25,006
Property, plant, and equipment	308,770
Intangible asset - Backlog	333,000
Other assets	19,103
Accounts payable	(1,450,245)
Accrued liabilities	(62,339)
Debt	<u>(491,427)</u>
Total identifiable net assets	1,526,600
Goodwill	<u>713,122</u>
Total	<u>\$ 2,239,722</u>

Note 4 - Business Combinations

Midwest Curtainwalls (continued)

The fair value of financial assets includes accounts receivable with a contractual amount due of \$2,711,384, which is expected to be collected in the full amount. Liabilities arising from contingencies consist of stock guarantee liability and have been recognized at fair value. Acquisition-related costs, which include legal, accounting, and valuation fees, totaled \$21,800 and have been included in operating expenses in the accompanying consolidated statement of operations.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 5 - Investment

On July 17, 2018, the Company acquired 20 percent of StemVax Therapeutics (StemVax) for 2.5 million common IVST shares and cash of \$16,742 related to the anticipated requirements of pending license agreements, presently being negotiated 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 were successfully executed. The investment has not been accounted for using the equity method, as the Company does not have significant influence over the issuer. The investment is recorded at \$141,742, which represents the cost incurred related to license agreements 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.

Note 6 - Property and Equipment

Property and equipment at September 30, 2019 are summarized as follows:

	Balance at Sept. 30, 2019	Depreciable Life - Years
Machinery and equipment	305,347	9
Transportation equipment	8,950	2
Furniture and fixtures	5,780	3-10
Computer equipment and software	27,670	3-5
Total cost	\$ 347,747	
Accumulated depreciation	38,927	
Net property and equipment	\$ 308,820	

Depreciation expense for three months ended September 30, 2019 was \$16,467 and for the nine months ended September 30, 2019 was \$49,400.

Note 7 - Acquired Intangible Assets and Goodwill

Intangible assets of the Company at September 30, 2019 are summarized as follows:

	Balance at Sept. 30, 2019	Accumulated Amortization
Amortized intangible assets:		
Customer contracts	229,000	22,900
Trade names	131,000	13,100
Total amortized intangible assets	\$ 360,000	\$ 36,000

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Each reportable segment noted above is a specific reporting unit for goodwill impairment testing purposes. 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 was estimated based on the present value of expected future cash inflows.

Segment	Balance at Sept. 30, 2019	Balance at Sept. 30, 2018
Commercial Solutions	2,796,603	82,381
Wholesale Purchasing	2,499,167	
Total Goodwill	\$ 5,295,770	\$ 82,381

Note 8 - 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. 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, 2019.

In January 2019, the Company entered into a forbearance agreement with the bank, which prohibited additional borrowings under the line of credit.

Note 9 - Notes Payable

Notes payable at September 30 are as follows:

	2019	2018
Midwest Curtainwalls - Note payable to bank with interest of 4.85 percent. Secured by specific equipment	\$ 138,584	
Total	\$ 138,584	

Ownership transitions before the acquisition of Midwest Curtainwalls and the acquisition of Midwest Curtainwalls by IVST 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.

Note 10 – Bond Payable

At the time of acquisition, Midwest Curtainwalls, had entered into a sales contract for a large commercial project. In July 2019, disputes arose among Midwest, the customer, and subcontractors which involved the subcontractor performing and billing in excess of contracted amounts which resulted the customer withholding certain accounts receivable. The Midwest sales obligation does not permit the suspension of work during such disputes which resulted in being contractually obligated to continue the project and seek remedy for these disputes only after completion. To cover the shortfalls created by the disputes, Midwest triggered mechanisms provided by the bond agreement to fund the project working capital requirement. As of September 30, 2019, the bond liability on the balance sheet is \$5,630,755. This amount may increase, and is subject to offsets based on revenue and future remedies. Given the timing for when the Midwest sales obligation was initiated being prior to Innovest Global's acquisition of Midwest Curtainwalls, Innovest Global Inc. is not a direct party to the bond liability or a guarantor of the facility.

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

Note 11 – Deposit on Assets

In order to achieve the working capital required to accommodate rapid growth, Innovest Global initiated a strategy to obtain short term cash flow in exchange for a lien on the accounts receivable balances of the Company and its subsidiaries. Innovest entered into a variety of transactions which pre-sold future accounts receivable by receiving deposits on those future receivables in exchange for a discount on them to the purchasers. The payoff timeline was approximately four months. As of September 30, 2019, the balance on these deposits is \$644,695. The cost of these transactions is booked to the account Loss on Sale (A/R) and for the three month and nine month period ended September 30, 2019, these amounts represent \$135,798 and \$384,755 respectively.

Note 12 - Revenue Recognition

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

	<u>Three Months Ended September 30, 2019</u>			<u>Three Months Ended September 30, 2018</u>		
	<u>Commercial Solutions</u>	<u>Wholesale Purchasing</u>	<u>Total</u>	<u>Commercial Solutions</u>	<u>Wholesale Purchasing</u>	<u>Total</u>
Major Goods & Services						
Goods	7,556,116	9,472,010	17,028,126	651,653	-	651,653
Services	610,002	-	610,002	412,500	-	412,500
Total Revenues	\$ 8,166,118	\$ 9,472,010	\$ 17,638,128	\$ 1,064,152	\$ -	\$ 1,064,152
Timing of Revenue Recognition						
Point in Time	2,082,518	9,472,010	11,554,528	1,064,152	-	1,064,152
Over Time	6,083,600	-	6,083,600	-	-	-
Total Revenues	\$ 8,166,118	\$ 9,472,010	\$ 17,638,128	\$ 1,064,152	\$ -	\$ 1,064,152
	<u>Nine Months Ended September 30, 2019</u>			<u>Nine Months Ended September 30, 2018</u>		
	<u>Commercial Solutions</u>	<u>Wholesale Purchasing</u>	<u>Total</u>	<u>Commercial Solutions</u>	<u>Wholesale Purchasing</u>	<u>Total</u>
Major Goods & Services						
Goods	14,779,981	31,117,803	45,897,784	1,836,683	-	1,836,683
Services	1,525,873	-	1,525,873	1,037,640	-	1,037,640
Total Revenues	\$ 16,305,854	\$ 31,117,803	\$ 47,423,657	\$ 2,874,323	\$ -	\$ 2,874,323
Timing of Revenue Recognition						
Point in Time	5,378,467	31,117,803	36,496,270	2,874,323	-	2,874,323
Over Time	10,927,388	-	10,927,388	-	-	-
Total Revenues	\$ 16,305,854	\$ 31,117,803	\$ 47,423,657	\$ 2,874,323	\$ -	\$ 2,874,323

Note 13 - Operating Leases

The Company is obligated under operating leases primarily for facilities, expiring at various dates through 2023. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$110,617 and \$65,600 for the three month periods ended September 30, 2019 and 2018, respectively and \$403,602 and \$234,800 for the nine month periods ended September 30, 2019 and 2018, respectively.

Note 14 - 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 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 has adjusted the fair value at December 31, 2018 of \$4,449,000. 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

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

The following table reconciles the opening and closing balance of the stock guarantee liability for September 30, 2019.

Acquiree	Fair Value at January 1, 2019	Adjustment for Contract Modification	Fair Value at September 30, 2019
Chagrin Safety Supply	\$ 229,000	\$ 0	\$ 229,000
Shepherd Energy	2,470,000	(2,470,000)	0
Contact Source Solutions	1,060,000	0	1,060,000
H.P. Technologies	620,000	0	620,000
Authority National Supply	1,820,000	0	1,820,000
Midwest Curtainwalls	570,000	0	570,000
Midwest Curtainwalls	150,000	0	150,000
	<u>\$ 6,919,000</u>	<u>\$ (2,470,000)</u>	<u>\$ 4,449,000</u>

On March 18, 2019, the Company entered 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. This share issuance settles a stock liability of \$2,470,000 at December 31, 2018.

Note 15 - 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.

One of the members that participates in the purchasing program at Authority National Supply is owned by an individual who is the CEO of Authority National Supply.

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, 2019, there was a loan payable to TN3, LLC of \$162,300.

Note 16 - Retirement Plans

Midwest Curtainwalls sponsors a 401(k) plan for substantially all employees who meet certain age and length of service requirements. The plan allows for the Company to make a discretionary matching contribution. There were no contributions made by the Company to the plan in 2019 or 2018.