Innovest Global, Inc.

Consolidated Financial Report

December 31, 2018 & 2017

Contents

Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Innovest Global, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Innovest Global Inc. and Subsidiaries (the "Company"), a Nevada corporation, as of December 31, 2018 and 2017, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2018 and December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018 and December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a history of operating losses resulting in a significant accumulated deficit of $5,148,306 and negative cash flows from operations of $1,706,875 as of December 31, 2018. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ NMS, Inc.

Certified Public Accountants

We have served as the Company's auditor since 2018.

Mentor, Ohio
December 31, 2019

Consolidated Balance Sheet

December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 804,527	$ 3,833
Accounts receivable - Net	5,446,065	23,448
Inventory	30,371	5,894
Subscription receivable	-	100,000
Prepaid expenses and other current assets	126,183	-
Total current assets	6,407,146	133,175
Property and Equipment - Net	369,606	-
Goodwill	5,453,551	82,381
Intangible Assets - Net	352,450	-
Other Assets		
Investment	141,742	-
Other noncurrent assets	29,172	-
Total other assets	170,914	-
Total assets	$ 12,753,667	$ 215,556

Consolidated Balance Sheet (Continued)

December 31, 2018 and 2017

	2018	2017
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	$ 3,568,526	$ 61,847
Bank line of credit	348,640	-
Notes payable	138,584	41,600
Billings in excess of cost and estimated earnings	1,523,824	-
Accrued and other current liabilities:		
Accrued compensation	189,299	-
Customer rebates	680,110	-
Deferred compensation	48,750	-
Other accrued liabilities	159,971	114,596
Total current liabilities	6,657,704	218,043
Stock Guarantee Liability	6,919,000	-
Share Issuance Liability	750,000	-
Total liabilities	14,326,704	218,043
Stockholders' Equity (Deficit)		
Common stock, par value $0.001 per share: Authorized shares: 500,000,000 in 2018 and 2017 Issued and outstanding shares: 141,050,291 at December 31, 2018 and 62,338,524 at December 31, 2017	141,050	62,339
Preferred stock, par value $0.001 per share: Authorized shares: 10,000,000 in 2018 and 2017 Issued and outstanding shares: 1,250,000 at December 31, 2018 and 1,750,000 at December 31, 2017	1,250	1,750
Stock subscriptions, common shares: 0 at December 31, 2018 and 16,193,183 at December 31, 2017	-	150,000
Additional paid-in capital	3,432,969	32,344
Retained deficit	(5,148,306)	(248,920)
Total stockholders' equity (deficit)	(1,573,037)	(2,487)
Total liabilities and stockholders' equity (deficit)	$ 12,753,667	$ 215,556

Consolidated Statement of Operations

Years Ended December 31, 2018 and 2017

	2018	2017
Net Sales	$ 6,545,702	$ 49,756
Cost of Sales	4,832,413	26,122
Gross Profit	1,713,289	23,634
Operating Expenses	4,359,960	143,825
Operating Loss	(2,646,671)	(120,191)
Non-operating Income (Expenses)		
Interest income	1,635	-
Other income	1,346	56
Interest expense	(25,696)	(4,150)
Fair value adjustment for stock guarantee liability	(2,230,000)	-
Total non-operating income	(2,252,715)	(4,094)
Consolidated Net Loss	**$ (4,899,386)**	**$ (124,285)**
Net Loss Per Share - Basic and Diluted	**$ (0.03)**	**$ 0.00**
Weighted-average Common Shares Outstanding - Basic and Diluted	141,050,291	62,338,524

Consolidated Statement of Stockholders' Equity (Deficit)

Years Ended December 31, 2018 and 2017

	Common Stock	Preferred Stock	Stock Subscriptions	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - January 1, 2017	$ 62,339	$ 1,750	$ -	$ 32,344	$ (124,635)	$ (28,202)
Consolidated net loss	-	-	-	-	(124,285)	(124,285)
Stock subscriptions issued	-	-	150,000	-	-	150,000
Balance - December 31, 2017	62,339	1,750	150,000	32,344	(248,920)	(2,487)
Consolidated net loss	-	-	-	-	(4,899,386)	(4,899,386)
Issuance of common shares	46,153	-	-	2,651,108	-	2,697,261
Conversion of preferred shares to common shares	50,000	(500)	-	(49,500)	-	-
Cancellation of common shares	(50,000)	-	-	50,000	-	-
Issuance of common shares for services	16,365	-	-	615,210	-	631,575
Stock subscriptions collected	16,193	-	(150,000)	133,807	-	-
Balance - December 31, 2018	**$ 141,050**	**$ 1,250**	**$ -**	**$ 3,432,969**	**$ (5,148,306)**	**$ (1,573,037)**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Net loss	$ (4,899,386)	$ (124,285)
Adjustments to reconcile net loss to net cash and cash equivalents from operating activities:		
Depreciation and amortization	24,458	-
Fair value adjustment for stock guarantee liability	2,230,000	-
Impairment of goodwill	402,764	-
Stock compensation	631,575	-
Loss on disposals	5,298	-
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(679,869)	752
Inventory	529	3,282
Prepaid expenses and other assets	(80,407)	-
Accounts payable	(497,196)	(3,540)
Accrued and other liabilities	747,301	64,976
Billings in excess of costs and estimated earnings	408,058	-
Net cash used in operating activities	(1,706,875)	(58,815)
Cash Flows from Investing Activities		
Acquisition of investment	(16,742)	-
Acquisition of business (cash received in excess of cash paid)	534,865	(750)
Net cash provided by (used in) investing activities	518,123	(750)
Cash Flows from Financing Activities		
Proceeds from debt	-	13,398
Payments on debt	(45,803)	-
Stock issuance	2,035,249	50,000
Net cash provided by financing activities	1,989,446	63,398
Net Increase in Cash and Cash Equivalents	800,694	3,833
Cash and Cash Equivalents - Beginning of year	3,833	-
Cash and Cash Equivalents - End of year	$ 804,527	$ 3,833
Supplemental Cash Flow Information		
Restricted common shares issued in connection with acquisitions (Note 4)	$ 1,309,155	$ -
Unissued shares in connection with Authority National Supply acquisition (Note 14)	750,000	-
Restricted common shares issued for investment (Note 5)	125,000	-
Unpaid stock subscriptions	-	100,000
Furniture and fixtures acquired through obligation and issuance of restricted common shares	52,333	-
Interest paid	(25,696)	(4,150)

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 holding company, or conglomerate.

The Company’s business plan includes the focus on acquisition of privately held businesses whose owners are willing to consider merging their businesses in order to establish a public trading market for their common stock and whose management teams are willing to operate the acquired businesses as divisions or subsidiaries of the Company.

The current business units operate within the following segments:

Construction and building materials - Two businesses currently operate in this segment. Midwest Curtain Walls, Inc. (Midwest Curtain Walls) designs and manufactures nonstructural window solutions to commercial building contractors. Authority National Supply, LLC (Authority National Supply) is currently acting as an agent leveraging the combined purchasing power of its customers in securing vendor pricing for construction related supplies. These businesses are located in Ohio, with customers in the midwestern part of the United States. Authority National Supply is currently progressing towards changing its business model to be a distributor and maintaining its own inventory.

Energy services - Energy services includes energy broker services for both residential and commercial businesses throughout Ohio from H.P. Technologies, Inc. (H.P. Technologies). This business receives commissions from energy providers based on the business secured and energy volumes used. Energy services also include the design and installation of energy-efficient lighting solutions from Shepherd Energy, LLC (Shepherd Energy).

Call center services - This segment provides inbound and outbound call center services to commercial and industrial clients primarily in Ohio, with anticipated expansion to other parts of the U.S. This business, Contact Source Solutions, LLC (Contact Source Solutions), is currently serving the medical supplies sector.

Other - The other business segment includes a safety supplies distributor, which is organized as a division of Innovest and operates under the name Chagrin Safety Supply, LLC (Chagrin Safety Supply).

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 $(1,573,037) as of December 31, 2018 and $(2,487) as of December 31, 2017. During the year ended December 31, 2018, the Company recognized a net loss of $(4,899,386) and used net cash of $(1,706,875) in operating activities. During the year ended December 31, 2017, the Company recognized a net loss of $(124,285) and used net cash of $(58,815) in operating activities.

Note 2 - Significant Accounting Policies (Continued)

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 outside parties, and/or issuing common shares. In mid-2019, the company also triggered mechanisms provided by the bond agreement to fund the project working capital requirement. 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.

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. As of December 31, 2018, $2.8 million of the outstanding accounts receivable balance is from a single customer in the Construction and Building Materials segment. 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.

Investments

Investments in equity securities without readily determinable fair value are recorded at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments in the same issuer. Impairment loses are recognized for declines in value that are other than temporary. No impairment losses were recognized for 2018 and 2017.

Note 2 - Significant Accounting Policies (Continued)

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 Midwest Curtain Walls and H.P. Technologies exceeded their fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of $357,691 and $45,073, respectively, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

Construction and Building Materials

For the construction of custom commercial window 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.

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 some contracts, the Company recognizes revenue before its right to some or all consideration becomes unconditional which results in the Company recording contract assets.

The Company connects purchasers of 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.

Energy Services

For energy services, the Company has performance obligations for providing lighting 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 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.

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.

Call Center Services

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.

Other

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.

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.

Note 2 - Significant Accounting Policies (Continued)

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2018 and 2017 was $283,291 and $248, respectively.

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.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including December 31, 2019, which is the date the consolidated financial statements have been issued.

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.

Note 3 - New Accounting Principles (Continued)

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.

Note 4 - Business Combinations and Acquisitions

The Company has determined we are unable to supply supplemental pro forma information for the year to date reporting period ending December 31, 2017. After making every reasonable effort, the Company has deemed it impracticable to apply the requirements of ASC 805-10-50 which requires the revenues and earnings of the combined entities for the prior year to date reporting be reported as though the asset or stock purchase had been completed as of the beginning of the annual reporting period and the prior period.

Note 4 - Business Combinations and Acquisitions (Continued)

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		139,000
Fair value of total consideration transferred	$	145,524

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. See Note 16 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		(63,804)
Total identifiable net assets		(75,857)
Goodwill		221,381
Total	$	145,524

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.

The $139,000 stock guarantee represents a measurement period adjustment that was made in 2018. This amount has been included in the total consideration transferred and the goodwill recognized.

The amounts of Chagrin Safety Supply's revenue and earnings included in the accompanying consolidated statement of operations for the year ended December 31, 2018 totaled $339,042 and $(114,256), respectively.

Note 4 - Business Combinations and Acquisitions (Continued)

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	1,000,000
Fair value of total consideration transferred	$ 1,185,280

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 are guaranteed that the issued shares 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 16 regarding the valuation methodology and key assumptions made in the determination of this liability at date of acquisition and at year end. One of the former stockholders of Shepherd Energy is the President of Innovest.

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	(56,826)
Total identifiable net assets	5,934
Goodwill	1,179,346
Total	$ 1,185,280

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.

The amounts of Shepherd Energy's revenue and loss included in the accompanying consolidated statement of operations for the year ended December 31, 2018 totaled $697,237 and $(1,691,163), respectively.

Note 4 - Business Combinations and Acquisitions (Continued)

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 obtain 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		500,000
Fair value of total consideration transferred	$	543,875

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 shares 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 16 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	$	4,718
Accounts receivable		32,806
Accounts payable		(21,670)
Accrued liabilities		(72,769)
Total identifiable net assets		(56,915)
Goodwill		600,790
Total	$	543,875

The fair value of financial assets includes accounts receivable with a contractual amount due of $32,806, 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.

The amounts of Contact Source Solutions' revenue and loss included in the accompanying consolidated statement of operations for the year ended December 31, 2018 totaled $1,266,071 and $(386,375), respectively, from the date of acquisition. The following pro forma information for 2018 is based on the assumption that the acquisition of Contact Source Solutions occurred on January 1, 2018:

		December 31, 2018
Revenue	$	1,298,239
Net income		(413,699)

Note 4 - Business Combinations and Acquisitions (Continued)

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	600,000
Fair value of total consideration transferred	$ 630,000

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 H.P. Technologies are guaranteed that the issued shares 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 16 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	$ 76,132
Intangible asset - Trade names	131,000
Intangible asset - Customer contracts	240,000
Accrued liabilities	(130,095)
Total identifiable net assets	317,037
Goodwill	312,963
Total	$ 630,000

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.

The amounts of H.P. Technologies's revenue and loss included in the accompanying consolidated statement of operations for the year ended December 31, 2018 totaled $1,000,303 and $(30,000), respectively, from the date of acquisition. The following pro forma information for 2018 is based on the assumption that the acquisition of H.P. Technologies occurred on January 1, 2018:

	December 31, 2018
Revenue	$ 1,469,104
Net income	43,266

Note 4 - Business Combinations and Acquisitions (Continued)

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	1,700,000
Fair value of total consideration transferred	$ 2,505,000

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 shares 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 16 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	$ 361,808
Accounts receivable	2,108,986
Property, plant, and equipment	19,709
Other assets	14,096
Accounts payable	(2,409,625)
Accrued liabilities	(66,043)
Total identifiable net assets	28,931
Goodwill	2,476,069
Total	$ 2,505,000

The fair value of financial assets includes accounts receivable with a contractual amount due of $2,108,986, 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.

Note 4 - Business Combinations and Acquisitions (Continued)

The amounts of Authority National Supply's revenue and loss included in the accompanying statement of operations for the year ended December 31, 2018 totaled $2,599,576 and $160,223, respectively, from the date of acquisition. The following pro forma information for 2018 is based on the assumption that the acquisition of Authority National Supply occurred on January 1, 2018:

	December 31, 2018
Revenue	$ 28,577,541
Net loss	(19,386)

Midwest Curtain Walls

On December 1, 2018, the Company acquired 100 percent of the outstanding common shares of Midwest Curtain Walls. 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 Curtain Walls shares were held in an estate that was not in a position to continue to manage the operations. 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 Curtain Walls:

Equity instruments (2,000,000 common shares of the Company)	$ 300,000
Stock guarantee liability	750,000
Total	$ 1,050,000

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

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 Curtain Walls are guaranteed that 1,600,000 of issued shares 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, 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 16 regarding the valuation methodology and key assumptions made in the determination of this liability at the date of acquisition and at year end.

Note 4 - Business Combinations and Acquisitions (Continued)

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

Cash	$ 133,348
Accounts receivable	2,593,804
Inventory	25,006
Property, plant, and equipment	308,770
Other assets	19,103
Accounts payable	(1,450,245)
Accrued liabilities	(38,359)
Billings in excess of costs and estimated earnings	(1,115,766)
Debt	(491,427)
Total identifiable net assets	(15,766)
Goodwill	1,065,766
Total	$ 1,050,000

The fair value of financial assets includes accounts receivable with a contractual amount due of $2,593,804, 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 $21,800 and have been included in operating expenses in the accompanying consolidated statement of operations.

The amounts of Midwest Curtain Walls's revenue and loss included in the accompanying consolidated statement of operations for the year ended December 31, 2018 totaled $639,764 and $(300,000), respectively, from the date of acquisition. The following pro forma information for 2018 is based on the assumption that the acquisition of Midwest Curtain Walls occurred on January 1, 2018:

	December 31, 2018
Revenue	$ 5,717,053
Net loss	(562,672)

Summary of 2018 and 2017 Activity

The table below summarizes the fair value of the total consideration transferred for the business combinations occurring in 2018 and 2017.

	2018	2017
Cash	$ 55,000	$ 750
Equity instruments	1,309,155	5,774
Stock guarantee liability	4,550,000	139,000
Fair value of total consideration transferred	$ 5,914,155	$ 145,524

Note 4 - Business Combinations and Acquisitions (Continued)

The acquisition date fair values of the assets acquired and liabilities assumed for the business combinations are summarized as follows:

	2018	2017
Cash	$ 589,865	$ 453
Accounts receivable	4,742,748	24,200
Inventory	25,006	9,176
Property and equipment	328,479	-
Customer contracts	240,000	-
Trade names	131,000	-
Other assets	74,948	-
Accounts payable	(4,003,875)	(45,882)
Billings in excess of costs and estimated earnings	(1,115,766)	-
Accrued liabilities	(241,757)	(63,804)
Debt	(491,427)	-
Total identifiable net assets	279,221	(75,857)
Goodwill	5,634,934	221,381
Total	$ 5,914,155	$ 145,524

The following pro forma information for 2018 is based on the assumption that all of the acquisitions occurring above occurred on January 1, 2018:

	December 31, 2018
Revenue	$ 37,029,769
Net loss	(987,657)

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 entity. 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 December 31, 2018 are summarized as follows:

	Amount	Depreciable Life - Years
Machinery and equipment	$ 289,666	9
Transportation equipment	8,950	2
Furniture and fixtures	58,113	3-10
Computer equipment and software	18,785	3-5
Total cost	375,514	
Accumulated depreciation	5,908	
Net property and equipment	$ 369,606	

Depreciation expense for 2018 was $5,908. There was no property or equipment in 2017.

Note 7 - Acquired Intangible Assets and Goodwill

Intangible assets of the Company at December 31, 2018 are summarized as follows:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		
Customer contracts	$ 240,000	$ 12,000
Trade names	131,000	6,550
Total amortized intangible assets	$ 371,000	$ 18,550

There were no Intangible assets as of December 31, 2017. Amortization expense for 2018 totaled $18,550.

Note 7 - Acquired Intangible Assets and Goodwill (Continued)

Anticipated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2019	$ 25,000
2020	25,000
2021	25,000
2022	25,000
2023	25,000
Thereafter	227,450
Total	$ 352,450

The changes in the carrying amount of goodwill (by reportable segment) are as follows:

	2018				
	Construction and Building Materials	Energy Services	Call Center Services	All Other	Total
Balance - January 1:					
Goodwill	$ -	$ -	$ -	$ 82,381	$ 82,381
Less accumulated impairment losses	-	-	-	-	-
Opening goodwill - Net	-	-	-	82,381	82,381
Current year activity:					
Goodwill as a result of business acquisition	3,541,835	1,492,309	600,790	-	5,634,934
Remeasurement adjustment	-	-	-	139,000	139,000
Impairment losses	(357,691)	(45,073)	-	-	(402,764)
Ending goodwill - Net	$ 3,184,144	$ 1,447,236	$ 600,790	$ 221,381	$ 5,453,551
Balance - December 31:					
Goodwill	3,541,835	1,492,309	600,790	221,381	5,856,315
Less accumulated impairment losses	(357,691)	(45,073)	-	-	(402,764)
Ending goodwill - Net	$ 3,184,144	$ 1,447,236	$ 600,790	$ 221,381	$ 5,453,551

Note 7 - Acquired Intangible Assets and Goodwill (Continued)

	2017				
	Construction and Building Materials	Energy Services	Call Center Services	All Other	Total
Balance - January 1:					
Goodwill	$ -	$ -	$ -	$ -	$ -
Less accumulated impairment losses	-	-	-	-	-
Opening goodwill - Net	-	-	-	-	-
Current year activity - Goodwill as a result of business acquisition	-	-	-	82,381	82,381
Ending goodwill - Net	$ -	$ -	$ -	$ 82,381	$ 82,381
Balance - December 31:					
Goodwill	-	-	-	82,381	82,381
Less accumulated impairment losses	-	-	-	-	-
Ending goodwill - Net	$ -	$ -	$ -	$ 82,381	$ 82,381

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. Accordingly, a goodwill impairment loss of $402,764 was recognized in 2018. Each reporting unit had a zero or negative carrying amount at December 31, 2018 and 2017.

Note 8 - Line of Credit

Midwest Curtain Walls 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 5.25 percent at December 31, 2018). The line of credit is collateralized by all assets of Midwest Curtain Walls. The balance outstanding on this line of credit was $348,640 at December 31, 2018.

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 which was to be repaid in monthly principal payments of $50,000 through August 2019 and a final payment of $48,640 due in September 2019. This final payment has not yet been paid and the company is currently finalizing payments for early 2020.

Note 9 - Notes Payable

Notes payable at December 31 are as follows:

	2018	2017
Midwest Curtain Walls - Notes payable to bank with interest ranging from 4.5 and 4.85 percent and due in full in September 2019. Secured by specific equipment	$ 138,584	$ -
IVST - Unsecured working capital note payable to a related party (TN3, LLC) with interest of 7 percent. This note matured in July 2018	-	34,608
IVST - Unsecured working capital note payable with interest at 7 percent. This note matured in July 2018	-	6,992
Total	$ 138,584	$ 41,600

Ownership transitions before the acquisition of Midwest Curtain Walls and the acquisition of Midwest Curtain Walls 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. 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. This final payment has not yet been paid and the company is currently finalizing payments for early 2020.

Interest expense for 2018 and 2017 was $25,696 and $4,150, respectively.

Note 10 - 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. Revenue from customized goods within the Construction and Building Materials segment is derived from one customer contract.

2018						
Segments	Construction and Building Materials	Energy Services	Call Center Services	Other	Corporate	Total
Major goods/service lines:						
Goods	$ 2,599,576	$ -	$ -	$ 336,745	$ -	$ 2,936,321
Customized goods	639,764	-	-	-	-	639,764
Commission	-	1,000,303	-	-	-	1,000,303
Lighting solutions	-	697,237	-	-	-	697,237
Call center	-	-	1,266,071	-	-	1,266,071
Other	-	-	-	-	6,006	6,006
Total	$ 3,239,340	$ 1,697,540	$ 1,266,071	$ 336,745	$ 6,006	$ 6,545,702
Timing of revenue recognition:						
Point in time	$ 2,599,576	$ 1,000,303	$ 1,266,071	$ 336,745	$ 6,006	$ 5,208,701
Over time	639,764	697,237	-	-	-	1,337,001
Total	$ 3,239,340	$ 1,697,540	$ 1,266,071	$ 336,745	$ 6,006	$ 6,545,702

Revenue for 2017 was only derived from sale of goods and was recognized at a point in time.

Note 10 - Revenue Recognition (Continued)

Contract Liabilities

Contract liabilities consist of billings in excess of costs and estimated earnings, as presented on the consolidated balance sheet. The following table provides information on the changes in the balance of contract liabilities for the year ended December 31, 2018:

Opening balance	$ -
Cash received	269,382
Acquired in business combination	1,115,766
Less revenue recognized from continuing operations (net of returns, allowances, etc.) - From satisfaction of performance obligations in the current period	138,676
Closing balance	$ 1,523,824

Total contract liabilities increased by $1,523,824 during the year ended December 31, 2018. The increase was primarily due to businesses acquired during 2018.

Performance Obligations

Revenue that is expected to be recognized related to performance obligations that have not been fully satisfied as of December 31, 2018 totals $4,880,029 and is expected to be realized during 2019.

Note 11 - Business Segment Information

Innovest Global, Inc. has three reportable segments: construction and building materials, energy services, and call center services. The construction and building materials segment designs and manufactures nonstructural window solutions for commercial building contractors and acts as an agent leveraging the combined purchasing power of its customers in securing vendor pricing for construction-related supplies. The energy segment provides energy broker services for both residential and commercial businesses throughout Ohio and designs and installs energy-efficient lighting solutions. The call center services segment provides inbound and outbound call center services to commercial and industrial clients primarily in Ohio and is currently serving the medical supplies sector.

Innovest Global, Inc.'s reportable segments are strategic business units that offer different product and service offerings. They are managed separately because each business requires different technology and marketing strategies. All of the businesses were acquired individually, and the management at the time of the acquisition was retained if possible.

Note 11 - Business Segment Information (Continued)

The following table provides selected information as of and for the year ended December 31, 2018. Reportable segments did not exist prior to 2018.

	Construction and Building Materials	Energy Services	Call Center Services	All Other (a)	Corporate	Eliminations	Total
Revenue from external customers	$3,239,340	$1,697,540	$1,266,071	$336,745	$12,006	$(6,000)	$6,545,702
Interest revenue	-	-	-	-	1,635	-	1,635
Interest expense	4,269	1,909	19,047	470	1	-	25,696
Depreciation and amortization	5,908	18,550	-	-	-	-	24,458
Operating income (loss)	(367,300)	(229,254)	192,672	(23,786)	(2,219,002)	-	(2,646,670)
Noncash charge for adjustment to fair value of stock guarantee	90,000	1,490,000	560,000	90,000	-	-	2,230,000
Segment profit (loss)	(460,223)	(1,721,163)	(386,375)	(114,256)	(2,217,368)	-	(4,899,385)
Goodwill	3,184,144	1,447,236	600,790	221,381	-	-	5,453,551
Segment assets	9,169,429	2,035,667	789,842	257,406	624,823	(123,500)	12,753,667

(a) Revenue from segments below the quantitative thresholds is attributable to one operating segment of Innovest Global, Inc. This segment includes a small safety supplies distributor. The segment has never met any of the quantitative thresholds for designating it as a reportable segment.

Note 12 - 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 $73,420 and $0 for 2018 and 2017, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2019	$ 206,188
2020	164,188
2021	141,046
2022	141,046
2023	141,046
Total	$ 793,514

Note 13 - Income Taxes

The components of the income tax provision included in the consolidated statement of operations are all attributable to continuing operations and are detailed as follows:

	2018	2017
Current income tax expense (recovery)	$ -	$ -
Deferred income tax recovery	(1,022,045)	(33,578)
Change in valuation reserve	1,022,045	33,578
Total income tax expense (recovery)	$ -	$ -

	2018	2017
Income tax recovery, computed at 21 percent of pretax loss	$ (1,028,871)	$ (26,100)
Effect of nontaxable income	6,826	-
Increase in valuation reserve	1,022,045	33,578
Changes to statutory tax rates	-	(14,935)
Other	-	7,457
Total provision for income taxes	$ -	$ -

The details of the net deferred tax asset (liability) are as follows:

	2018	2017
Deferred tax assets:		
Contingent consideration - Stock guarantee liability	$ 625,800	$ -
Net operating loss and tax credit carryforward	518,448	52,273
Other	102,097	-
Gross deferred tax assets	1,246,345	52,273
Valuation allowance recognized for deferred tax assets	(1,225,987)	(52,273)
Net deferred tax assets	20,358	-
Deferred tax liabilities:		
Depreciation and amortization	(20,358)	-
Gross deferred tax liabilities	(20,358)	-
Net deferred tax asset (liability)	$ -	$ -

The Company has approximately $2,469,000 of net operating loss carryforwards available to reduce future income taxes that have no expiration.

Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. Due to uncertainty as to the realization of the net operating loss carryforwards, a valuation allowance has been recorded against the related deferred tax assets.

The valuation allowance increased by $1,022,045 from current year operating results and increased an additional $151,669 as a result of a valuation allowance established at acquisition related to Midwest Curtain Walls.

Note 14 - Stockholders' Equity

Stock Compensation and Other Stock Awards

During 2018, the Company issued 16,365,000 shares of its restricted common stock to employees and service providers. A total of 7,975,000 shares were issued to employees, officers, or directors of the Company, and 8,390,000 shares were issued for consulting services to nonemployees. The fair value of the shares issued was determined based on actual transactions of the Company's stock occurring around the time the shares were granted and resulted in a $631,575 increase to equity and a charge to operations for the year ended December 31, 2018. All of the stock awards granted in 2018 were fully vested upon issuance. No stock-based awards were granted in 2017.

Common and Preferred Stock

During 2018, the Company converted 500,000 shares of preferred stock into 50,000,000 shares of common stock. The 50,000,000 were then canceled prior to December 31, 2018.

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.

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 December 31, 2018 and 2017.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Cash and cash equivalents	$ 804,527	$ -	$ -
Accounts receivable	5,446,065	-	-
Total assets	$ 6,250,592	$ -	$ -
Liabilities			
Accounts payable	$ 3,568,526	$ -	$ -
Bank line of credit	348,640	-	-
Note payable	138,584	-	-
Stock guarantee (Note 16)	-	-	6,919,000
Total liabilities	$ 4,055,750	$ -	$ 6,919,000

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 generally 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. Adjustments to the liability are recorded in the accompanying consolidated statement of operations as nonoperating expense.

This liability is measured at fair value on a recurring 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 IVST, 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

The following table reconciles the opening and closing balance of the stock guarantee liability for 2018. There was no activity in 2017.

Acquiree	Fair Value at January 1, 2018	Amounts Recognized in Business Combinations	Fair Value Adjustments Recognized in Earnings	Fair Value at December 31, 2018
Chagrin Safety Supply	$ -	$ 139,000	$ 90,000	$ 229,000
Shepherd Energy	-	1,000,000	1,470,000	2,470,000
Contact Source Solutions	-	500,000	560,000	1,060,000
H.P. Technologies	-	600,000	20,000	620,000
Authority National Supply	-	1,700,000	120,000	1,820,000
Midwest Curtain Walls	-	750,000	(30,000)	720,000
	$ -	$ 4,689,000	$ 2,230,000	$ 6,919,000

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 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.

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.

The prior owners of the business, Contact Source Solutions, are independent contractors to the Company providing business consultation services on the call center business.

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 IVST. As of December 31, 2017, there was a loan payable to TN3, LLC, which was paid off in 2018, as described in Note 9.

Note 18 - Retirement Plans

Midwest Curtain Walls 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 2018 or 2017.

Note 19 - Subsequent Events

Subsequent to December 31, 2018 (January 1, 2019), the Company acquired certain contracts and assets from Primary Metering Solutions, LLC. The transaction was accounted for as an asset acquisition and recorded at cost of $175,000. The consideration transferred included $25,000 of cash and the issuance of 1,000,000 restricted shares of the Company's common stock. The fair value of the shares issued was determined on the basis of the value of other restricted shares issued at the time of the acquisition. The transaction was completed in order to provide additional growth opportunities for the Energy segment.

In May 2019, Midwest Curtain Walls entered into a new lease agreement for properly located in Cleveland, Ohio to serve as the Company’s new manufacturing and fabrication facility. The prior lease obligation expired in 2016 and the Company was in need of a larger space to support the anticipated growth of the business going forward.

At the time of acquisition, Midwest Curtain Walls, had entered into a sales contract for a large commercial project. In the third quarter 2019, disputes arose among Midwest, the customer, and subcontractors which involved the subcontractor performing and billing in excess of contracted amounts which resulted in 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. Given the timing for when the sales obligation was initiated which was prior to Innovest Global’s acquisition of Midwest Curtain Walls, Midwest Curtain Walls has assumed the bond liability as it is entitled to the receivables that have been withheld in support of the associated liability.

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. In the second and third quarter of 2019, 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. In the fourth quarter 2019, Innovest began working with a third party to retire the outstanding balances, and subsequently terminated payments to the lien holders. This caused the agreements to default, but the company has plans to finalize payments and lien releases in early 2020.

In 2019, the Company created 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 on December 31, 2019 and no awards had yet to be issued in 2019.