

The/Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021

KNAV, LLP

Certified Public Accountants
One Lakeside Commons, Suite 850
990 Hammond Drive NE, Atlanta, GA 30328



America Counts on CPAs

Table of Contents

Independent Auditor's Report	3
Separate parent organization Financial Statements	5
Statements of financial position	6
Statements of activities.....	7
Statements of cash flows	9
Notes to Separate parent organization Financial Statements	10

Independent Auditor's report

To the Board of Trustees of
The/Nudge Foundation

Qualified opinion

We have audited the accompanying separate parent organization financial statements of The/Nudge Foundation (a non-profit organization) (the "Foundation" or "Organization"), which comprise the statements of financial position as of December 31, 2022, and December 31, 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to separate parent organization financial statements.

In our opinion, except for the effects of the matter described in the 'Basis of qualified opinion' section of our report, the accompanying separate parent organization financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for qualified opinion

As discussed in Note A (b) to the separate parent organization financial statements, the Company reports its investment in its majority-owned subsidiary Nudge Technologies Private Limited, at cost. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of this subsidiary had been consolidated with those of the Company, total assets would have increased by \$10,955 and \$Nil and, total liabilities would have increased by \$7,960 and \$Nil as at December 31, 2022, and December 31, 2021, respectively; and net assets would have decreased by \$18,433 and \$Nil respectively, for the years then ended.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audits of the financial statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the separate parent organization financial statements

Management is responsible for the preparation and fair presentation of the separate parent organization financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate parent organization financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the separate parent organization financial statements are available to be issued.

Auditor's responsibilities for the audit of the separate parent organization financial statements

Our objectives are to obtain reasonable assurance about whether the separate parent organization financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the separate parent organization financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the separate parent organization financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the separate parent organization financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KNAV, LLP

Atlanta, Georgia
July 12, 2023

The/Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021

Separate Parent Organization Financial Statements

The/Nudge FoundationSeparate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021**Statements of financial position***(All amounts in United States Dollars; unless otherwise stated.)*

	As at	
	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash & cash equivalents	12,603,473	10,952,017
Investment in marketable securities	151,867	-
Grant receivable	393,340	-
Total current assets	13,148,680	10,952,017
Non-current assets		
Investment in subsidiary	645	-
Total assets	13,149,325	10,952,017
LIABILITIES AND NET ASSETS		
Current liabilities		
Grants payable	108,495	47,613
Other current liabilities	15,916	22,875
Total current liabilities	124,411	70,488
Total liabilities	124,411	70,488
NET ASSETS		
With donor restrictions	2,889,922	1,899,243
Without donor restrictions	10,134,992	8,982,286
Total net assets	13,024,914	10,881,529
Total liabilities and net assets	13,149,325	10,952,017

(The accompanying notes are an integral part of these separate parent organization financial statements)

The/Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021

Statements of activities

(All amounts in United States Dollars; unless otherwise stated.)

	Notes	For the year ended December 31, 2022			For the year ended December 31, 2021		
		Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities							
Revenue and other support							
Contributions		1,937,633	2,287,334	4,224,967	7,558,590	796,000	8,354,590
Other income		10,735	-	10,735	1,162	-	1,162
Total revenue and other support		1,948,368	2,287,334	4,235,702	7,559,752	796,000	8,355,752
Net assets released from restrictions:							
Satisfaction of donor restrictions		1,296,655	(1,296,655)	-	1,120,684	(1,120,684)	-
Total net assets released from restrictions		1,296,655	(1,296,655)	-	1,120,684	(1,120,684)	-
Total revenue and other support		3,245,023	990,679	4,235,702	8,680,436	(324,684)	8,355,752
Expenses							
Program services							
Rural development	E	695,823	-	695,823	786,412	-	786,412
Skill development & entrepreneurship		205,265	-	205,265	250,000	-	250,000
Social innovation		754,643	-	754,643	264,429	-	264,429
Covid-19 welfare relief		-	-	-	50,000	-	50,000
Total program services		1,655,731	-	1,655,731	1,350,841	-	1,350,841
Supporting services							
Management and general	E	436,586	-	436,586	237,504	-	237,504

The/Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2022, and December 31, 2021

Total supporting services	436,586	-	436,586	237,504	-	237,504
Total expenses	2,092,317	-	2,092,317	1,588,345	-	1,588,345
Change in net assets	1,152,706	990,679	2,143,385	7,092,091	(324,684)	6,767,407
Net assets at the beginning of the year	8,982,286	1,899,243	10,881,529	1,890,195	2,223,927	4,114,122
Net assets at the end of the year	10,134,992	2,889,922	13,024,914	8,982,286	1,899,243	10,881,529

(The accompanying notes are an integral part of these separate parent organization financial statements)

The/Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021

Statements of cash flows

(All amounts in United State Dollars, unless otherwise stated.)

For the year ended

December 31, 2022 **December 31, 2021**

Cash flow from operating activities

Changes in net assets	2,143,385	6,767,407
Adjustments to reconcile net income to net cash		
Dividend received on marketable securities	(1,867)	-

Changes in operating assets & liabilities

Grant receivable	(393,340)	-
Grants payable	60,882	(497,428)
Other current liabilities	(6,959)	7,558

Net cash provided by operating activities

1,802,101 **6,277,537**

Cash flow from investing activities

Investments made during the year in marketable securities	(150,000)	-
Investment made during the year in subsidiary	(645)	-

Net cash used in investing activities

(150,645) **-**

Net increase in cash and cash equivalents

1,651,456 6,277,537

Cash and cash equivalents at the beginning of the year 10,952,017 4,674,480

Cash and cash equivalents at the end of the year **12,603,473** **10,952,017**

(The accompanying notes are an integral part of these separate parent organization financial statements)

The/Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2022, and December 31, 2021

Notes to separate parent organization financial statements

(All amounts in United State Dollars, unless otherwise stated)

ORGANIZATION AND PURPOSE

The/Nudge Foundation (“the Foundation” or “Organization”) was incorporated in July 2015. The Foundation exists to alleviate poverty sustainably, collaboratively, and scalably. It has three impact streams – Centre for Skill Development and Entrepreneurship (CSDE), Centre for Social Innovation (CSI) & Centre for Rural Development (CRD). It is the fundraising arm of Nudge LifeSkills foundation. The funds raised through the foundation also support the operations and projects undertaken by the Nudge LifeSkills Foundation. At Nudge LifeSkills Foundation, sustainable livelihoods are built for underprivileged and vulnerable population by working with the underprivileged youth through our skilling programs, ultra-poor communities through our graduation approach, and other nonprofit entrepreneurs through our incubator, accelerator, Indian Administrative Fellowship, and many other programs.

In July 2022, The/Nudge Foundation (“the Foundation”) acquired a 99.9% stake in Nudge Technologies Private Limited. Nudge Technologies Private Limited operates to create products, services, and resources based on online and offline service platforms to promote and facilitate giving, donating, and funding non-profits and development sector work globally, using various channels including but not limited to offline, tele- calling, mobile, television, online, and also using technology, platforms and data sciences. It carries on the business of providing consultancy or research services for a consideration in the field of platforms, processes, systems, and technologies that enable the creation, maintenance, and servicing of non-profit organizations and organizations in the development sector.

The Foundation is a not-for-profit entity as described in the US Internal Revenue Code.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying separate parent organization financial statements is as follows:

a) Basis of accounting and preparation

- i. The accompanying separate parent organization financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the US (“US GAAP”).
- ii. The separate parent organization financial statements are prepared for the year January 01, 2022, to December 31, 2022, and January 01, 2021, to December 31, 2021.
- iii. All amounts are stated in United State Dollars, except as otherwise specified.

b) Principle of consolidation

The accompanying separate parent organization financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America (“US GAAP”) to reflect the financial position, results of operation and cash flows of the Organization. These separate parent organization financial statements report investments in its majority owned subsidiary, Nudge Technologies Private Limited, on a cost basis. Accounting principles generally accepted in the United States of America require that wholly owned and majority owned subsidiaries be accounted for as consolidated subsidiaries; however, the management has elected not to consolidate the subsidiary. If the financial statements of this subsidiary had been consolidated with those of the Organization, total assets would have increased by \$10,955 and \$Nil, and, total liabilities would have increased by \$7,960 and \$Nil as at December 31, 2022, and December 31, 2021, respectively; and net assets would have decreased by \$18,433 and \$Nil respectively, for the years then ended.

The/Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2022, and December 31, 2021

c) Use of estimates

The preparation of separate parent organization 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 revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of the separate parent organization financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

d) Cash and cash equivalents

The Foundation considers all investments with original maturities of ninety days or less to be cash and cash equivalents.

e) Net assets classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets are subject to donor-imposed restrictions. Donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources were restricted has been fulfilled, or both.

During the year ended December 31, 2022, and December 31, 2021, the Foundation had \$2,889,922 and \$1,899,243 net assets with donor restrictions, respectively.

f) Revenue recognition

Revenues comprise contributions received. The Foundation follows Accounting Standard Codification Subtopic 958-606, to recognize cash and gift-in-kind contributions from corporations. These contributions, including unconditional promises, are recognized as revenue when the donor's unconditional commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted.

When a temporary restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with restrictions that are fulfilled in the time period in which the contribution is received are recorded as unrestricted contributions in the financial statements. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

The/Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2022, and December 31, 2021

g) Grant receivable

Receivables consist entirely of grants to be received from one of the donors and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of historical experience, an assessment of economic conditions, and a review of subsequent collections, management considers receivables to be fully collectible at December 31, 2022. Accordingly, no allowances for doubtful accounts are required.

h) Investments in marketable securities

Investments are carried at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Net realized and unrealized gains and losses on investments are reflected in the statement of activities. A realized gain or loss on investment represents the profit or loss that has resulted from the sale of an investment at a higher or lower price than its original purchase price. An unrealized gain or loss on investment represents the increase or decrease in the value of an investment that has not yet been sold. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified and prudent asset allocation to achieve its long-term return objectives while maintaining portfolio stability and preserving capital.

i) Fair value measurements

Assets and liabilities recorded at fair value in the separate parent organization financial statements are categorized based on the level of judgement associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access as of the measurement date.
- Level 2 – Inputs other than quoted prices included within level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Foundation to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The Foundation's financial instruments consist of cash and cash equivalents, grant receivable, and investments in marketable securities.

j) Grant expenses

Grant expense is recognized in the period the grant is countersigned, provided the grant is not subject to future donor-imposed conditions. Conditional grants are recognized as grant expenses and as a grant payable in the period in which the grantee meets the terms of the conditions.

k) Income taxes

The Foundation is a not-for-profit organization exempted from federal income taxes under Section 501 (c) (3) of US Internal Revenue Code. No provision for income tax has been made in the separate parent organization financial statements. The Foundation's tax returns are generally subject to examination by the Internal Revenue Service ("IRS") for three years after filing. The tax years 2019 through 2021 remain subject to examination by the taxing authorities.

The/Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021

d) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at December 31, 2022	As at December 31, 2021
Balance with bank	12,603,473	10,952,017
Total	12,603,473	10,952,017

NOTE C – INVESTMENTS IN SUBSIDIARY

Investments comprise the following:

	As at December 31, 2022	As at December 31, 2021
Investment in Nudge Technologies Private Limited*	645	-
Total	645	-

* The investment in a wholly owned subsidiary, viz. Nudge Technologies Private Limited has been recorded on a cost basis.

NOTE D – INVESTMENTS IN MARKETABLE SECURITIES

Investments comprise the following:

	As at December 31, 2022	As at December 31, 2021
Investment in Vanguard federal money market fund**	151,867	-
Total	151,867	-
Cost	150,000	-

Following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value as at December 31, 2022.

	As at December 31, 2022	Level 1	Level 2	Level 3
Financial assets, measured at fair value	151,867	151,867	-	-
Total	151,867	151,867	-	-

** Vanguard Federal Money Market Fund's investment objective is to seek to provide current income while maintaining liquidity and a stable share price of \$1.

Dividend income received on the above fund for \$1,867 as on December 31, 2022, is reinvested in the investment amount

The/Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021

NOTE E – FUNCTIONAL EXPENSE CLASSIFICATION

For the year ended December 31, 2022, the Foundation's functional classification of expenses is as follows:

Particulars	Program services				Programs total	Management and general	Grand total
	Rural development	Skill development & entrepreneurship	Social innovation	Covid			
Donations	695,823	205,265	638,257	-	1,539,345	250,000	1,789,345
Total grants	695,823	205,265	638,257	-	1,539,345	250,000	1,789,345
Marketing	-	-	3,700	-	3,700	1,732	5,432
Professional and consultancy	-	-	112,686	-	112,686	131,368	244,055
Subscription	-	-	-	-	-	26,072	26,072
Others	-	-	-	-	-	27,414	27,414
Grand total	695,823	205,265	754,643	-	1,655,731	436,586	2,092,317

For the year ended December 31, 2021, the Foundation's functional classification of expenses is as follows:

Particulars	Program services				Programs total	Management and general	Grand total
	Rural development	Skill development & entrepreneurship	Social innovation	Covid			
Donations	786,412	250,000	264,429	50,000	1,350,841	-	1,350,841
Total grants	786,412	250,000	264,429	50,000	1,350,841	-	1,350,841
Marketing	-	-	-	-	-	15,137	15,137
Professional and consultancy	-	-	-	-	-	209,170	209,170
Subscription	-	-	-	-	-	7,977	7,977
Others	-	-	-	-	-	5,220	5,220
Grand total	786,412	250,000	264,429	50,000	1,350,841	237,504	1,588,345

Expenses that can be identified with a specific program or supporting service are reported, accordingly. The Foundation does not have a certain category of expenses that are attributable to more than one program or supporting function. Accordingly, no allocation of expenses is required.

The/Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2022, and December 31, 2021

NOTE D – CONCENTRATION RISK

During the year ended December 31, 2022, 36% and December 31, 2021, 84% of the contributions have been received from one donor. The grant receivable for the year ended December 31, 2022, is from one customer only, and no grant receivable balance for the year ended December 31, 2021.

The Foundation is exposed to credit risk by maintaining cash balances at financial institutions in excess of federally insured limits. Cash balances on deposits with banks are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000. The uninsured balance is \$12,353,473 and \$ 10,702,017 as of December 31, 2022, and December 31, 2021, respectively.

NOTE E – RELATED PARTY TRANSACTIONS

The President & Director of the Foundation is also the founder & director of Nudge Lifeskills Foundation, a not-for-profit organization incorporated in India. The Foundation makes grants to Nudge Lifeskills Foundation to support its mission objective. The Foundation in the year ended December 31, 2022, also acquired control of Nudge Technologies Private Limited from the President & Director

Summary of transactions with related party are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<i>Transactions during the year</i>		
Grants to Nudge Lifeskills Foundation	1,108,343	435,000
Acquisition of stake in Nudge Technologies Private Limited from director	515	-

NOTE F – LIQUIDITY

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	12,603,473	10,952,017
Investment in marketable securities	151,867	--
Grant receivable	393,340	-

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE G – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the separate parent organization financial statements were available to be issued. Based on the evaluation, the Foundation is not aware of any events or transactions that would require recognition or disclosure in the separate parent organization financial statements.
