

The Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2023, and December 31, 2022

KNAV CPA LLP

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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	8
Notes to separate parent organization financial statements	9

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, 2023, and December 31, 2022, 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, 2023, and December 31, 2022, 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 Organization 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 Organization, total assets would have increased by \$2,521 and \$10,955, and, total liabilities would have increased by \$846 and \$7,960 as at December 31, 2023, and December 31, 2022, respectively; and net assets would have decreased by \$1,318 and \$18,433 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 CPA LLP

Atlanta, Georgia
October 11, 2024

The Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2023, and December 31, 2022

Separate Parent Organization Financial Statements

The Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2023, and December 31, 2022

Statements of financial position

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

	As at	
	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash & cash equivalents	15,060,988	12,755,340
Grant receivable	-	393,340
Other current asset	1,187	-
Total current assets	15,062,175	13,148,680
Non-current assets		
Investment in subsidiary	645	645
Total assets	15,062,820	13,149,325
LIABILITIES AND NET ASSETS		
Current liabilities		
Grants payable	-	108,495
Accounts payable	135,179	3,916
Other current liabilities	12,500	12,000
Total current liabilities	147,679	124,411
Total liabilities	147,679	124,411
NET ASSETS		
With donor restrictions	4,934,706	2,889,922
Without donor restrictions	9,980,435	10,134,992
Total net assets	14,915,141	13,024,914
Total liabilities and net assets	15,062,820	13,149,325

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

The Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2023, and December 31, 2022

Statements of activities

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

	Notes	For the year ended December 31, 2023			For the year ended December 31, 2022		
		Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities							
Revenue and other support							
Contributions		1,495,029	3,825,141	5,320,170	1,937,633	2,287,334	4,224,967
Other income		476,004	-	476,004	10,735	-	10,735
Total revenue and other support		1,971,033	3,825,141	5,796,174	1,948,368	2,287,334	4,235,702
Net assets released from restrictions:							
Satisfaction of donor restrictions		1,780,357	(1,780,357)	-	1,296,655	(1,296,655)	-
Total net assets released from restrictions		1,780,357	(1,780,357)	-	1,296,655	(1,296,655)	-
Total revenue and other support		3,751,390	2,044,784	5,796,174	3,245,023	990,679	4,235,702
Expenses							
Program services	E						
Rural development		2,339,170	-	2,339,170	695,823	-	695,823
Skill development & entrepreneurship		231,331	-	231,331	205,265	-	205,265
Social innovation		729,890	-	729,890	754,643	-	754,643
Total program services		3,300,391	-	3,300,391	1,655,731	-	1,655,731
Supporting services							
Management and general	E	605,556	-	605,556	436,586	-	436,586
Total supporting services		605,556	-	605,556	436,586	-	436,586
Total expenses		3,905,947	-	3,905,947	2,092,317	-	2,092,317
Change in net assets		(154,557)	2,044,784	1,890,227	1,152,706	990,679	2,143,385
Net assets at the beginning of the year		10,134,992	2,889,922	13,024,914	8,982,286	1,899,243	10,881,529
Net assets at the end of the year		9,980,435	4,934,706	14,915,141	10,134,992	2,889,922	13,024,914

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

The Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2023, and December 31, 2022

Statements of cash flows

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

For the year ended

December 31, 2023 **December 31, 2022**

Cash flow from operating activities

Changes in net assets	1,890,227	2,143,385
Adjustments to reconcile net income to net cash		

Changes in operating assets & liabilities

Other current asset	(1,187)	-
Grant receivable	393,340	(393,340)
Grants payable	(108,495)	60,882
Accounts payable	500	-
Other current liabilities	131,263	(6,959)

Net cash provided by operating activities

2,305,648 **1,803,968**

Cash flow from investing activities

Investment made during the year in the subsidiary	-	(645)
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Net cash used in investing activities

- **(645)**

Net increase in cash and cash equivalents

2,305,648 1,803,323

Cash and cash equivalents at the beginning of the year

12,755,340 10,952,017

Cash and cash equivalents at the end of the year

15,060,988 **12,755,340**

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

The Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2023, and December 31, 2022

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 the 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 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 years January 01, 2023, to December 31, 2023, and January 01, 2022, to December 31, 2022.
- iii. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods to conform to the classifications used in the current year.

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 \$2,521 and \$10,955, and, total liabilities would have increased by

The Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2023, and December 31, 2022

\$846\$ and \$7,960 as at December 31, 2023, and December 31, 2022, respectively; and net assets would have decreased by \$1,318 and \$18,433 respectively, for the years then ended.

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) Functional allocation of expenses

The cost of providing the various programs and activities of the Foundation is presented on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities. 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.

e) Cash and cash equivalents

The Foundation's cash comprises deposits held at banks, and cash equivalents comprise money market funds in nature of highly liquid investments with an original maturity of three months or less when purchased. Investments in money market funds are held at financial institutions to which the Foundation is exposed to credit risk. The Foundation maintains its cash balances in financial institutions, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash balance. Cash equivalents held by the Foundation are deemed to be a Level 1 asset per "ASC 820 - Fair value measurement" Fair Value hierarchy, as defined below.

f) 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, 2023, and December 31, 2022, the Foundation had \$4,879,986 and \$2,889,922 net assets with donor restrictions, respectively.

The Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2023, and December 31, 2022

g) 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.

Dividend income and interest income mainly constitutes income from investments and bank balances and are included in "other income" on the statements of activities.

b) Grant receivable

Prior to the Organization's adoption of ASC 326, the grant receivable balance was reduced by an allowance for doubtful accounts that was determined based on the Organization's assessment of the collectability of donors' accounts. Under ASC 326, grant receivables are recorded at the invoiced amount, less of provision for credit loss. The Organization regularly reviews the adequacy of the provision for credit loss based on a combination of factors. In establishing any required allowance, management considers historical losses adjusted for current market conditions, the current receivables aging, current payment terms, and expectations of forward-looking loss estimates. Provision for credit loss was \$Nil as of December 31, 2023, and December 31, 2022, and is classified within "Grant receivable" in the balance sheets. See the "Recent accounting pronouncements adopted" section below for information on the adoption of ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.

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, investment in subsidiary, grant payable and accounts payable.

The Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2023, and December 31, 2022

Carrying values of financial instruments, except for investments and money market funds, approximated their fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the year ended December 31, 2023, and December 31, 2022, respectively.

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value as of December 31, 2023, and December 31, 2022.

	As at			
	December 31, 2023	Level 1	Level 2	Level 3
Investment in money market funds (Note B)	8,937,333	8,937,333	-	-
Total *	8,937,333	8,937,333	-	-

	As at			
	December 31, 2022	Level 1	Level 2	Level 3
Investment in money market funds (Note B)	151,867	151,867	-	-
Total *	151,867	151,867	-	-

*Investment's 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 \$260,467 and \$1,867 as on December 31, 2023 and December 31, 2022 respectively is reinvested in the investment amount.

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 the 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 2020 through 2022 remain subject to examination by the taxing authorities.

l) 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.

m) Recently adopted accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses, which amended the guidance on impairment of financial instruments. During the years 2019 and 2020 FASB issued updated guidance on Credit Losses (Topic 326), under ASU Nos. 2018-19, 2019-04, 2019-05, and 2019-11. The new requirements replace the incurred loss impairment methodology in the current GAAP with the methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standards were effective in the fiscal year 2023 for the Foundation. The adoption of these standards did not have a material impact on the Foundation's financial statements and related disclosures for 2023.

The Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2023, and December 31, 2022

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at December 31, 2023	As at December 31, 2022
Balance with bank	6,123,655	12,603,473
Investment in money market funds	8,937,333	151,867
Total	15,060,988	12,755,340

NOTE C – INVESTMENTS IN SUBSIDIARY

Investments comprise the following:

	As at December 31, 2023	As at December 31, 2022
Investment in Nudge Technologies Private Limited*	645	645
Total	645	645

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

The Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2023, and December 31, 2022

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The Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2023, and December 31, 2022

NOTE D – FUNCTIONAL EXPENSE CLASSIFICATION

For the year ended December 31, 2023, 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			
Donations	2,106,439	231,331	615,640	2,953,410	347,000	3,300,410
Total grants	2,106,439	231,331	615,640	2,953,410	347,000	3,300,410
Marketing	-	-	-	-	35,545	35,545
Professional and consultancy	232,731	-	82,250	314,981	145,652	460,633
Subscription	-	-	-	-	19,060	19,060
Travel	-	-	-	-	21,429	21,429
Others	-	-	32,000	32,000	36,870	68,870
Grand total	2,339,170	231,331	729,890	3,300,391	605,556	3,905,947

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			
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
Travel	-	-	-	-	4,596	4,596
Others	-	-	-	-	22,818	22,818
Grand total	695,823	205,265	754,643	1,655,731	436,586	2,092,317

Expenses that can be identified with a specific program or supporting service are reported accordingly.

The Nudge Foundation

Separate Parent Organization Financial Statements
December 31, 2023, and December 31, 2022

NOTE E – CONCENTRATION RISK

During the year ended December 31, 2023, 56% and December 31, 2022, 36% of the contributions have been received from one donor.

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.

At December 31, 2023, and December 31, 2022, the Organization's money market fund comprises of highly liquid, short-term investments which are exposed to market risk but include those backed by the full faith and credit of the US government.

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023, and December 31, 2022, net assets with donor restrictions are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rural development	4,094,244	2,124,723
Social innovation	840,462	746,368
Skill development & entrepreneurship	-	18,831
Total	<u><u>4,934,706</u></u>	<u><u>2,889,922</u></u>

NOTE G – RELATED PARTY TRANSACTIONS

The CEO & 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.

Summary of transactions with related party are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<i>Transactions during the year</i>		
Grants to Nudge Lifeskills Foundation	3,181,500	1,108,343
Acquisition of a stake in Nudge Technologies Private Limited from director	-	515

NOTE H – 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, 2023</u>	<u>December 31, 2022</u>
Cash and cash equivalents	6,123,655	12,603,473
Investment in marketable securities	8,937,333	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.

The Nudge Foundation

Separate Parent Organization Financial Statements

December 31, 2023, and December 31, 2022

NOTE I – 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.
