

Pratham USA
Financial Statements
December 31, 2022 and 2021

Pratham USA
December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Pratham USA

Opinion

We have audited the accompanying financial statements of Pratham USA (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pratham USA as of December 31, 2022 and 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 ("GAAP").

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pratham USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pratham USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 Pratham USA'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pratham USA'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.

Pannell Kerr Forster of Texas, P.C.

August 16, 2023

Pratham USA

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 13,218,832	\$ 10,192,896
Accounts receivable	32,017	69,448
Unconditional promises to give	7,747,170	5,142,284
Prepaid expenses	<u>102,470</u>	<u>86,696</u>
Total current assets	<u>21,100,489</u>	<u>15,491,324</u>
Unconditional promises to give, non-current	1,365,962	2,937,636
Restricted cash	250,000	6,750,000
Investments at fair value	6,736,920	21,401
Other assets	<u>30,779</u>	<u>23,367</u>
Total assets	<u>\$ 29,484,150</u>	<u>\$ 25,223,728</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 187,644	\$ 206,165
Grant payable	<u>7,641,740</u>	<u>-</u>
Total current liabilities	<u>7,829,384</u>	<u>206,165</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	3,509,724	5,701,861
With donor restrictions	<u>18,145,042</u>	<u>19,315,702</u>
Total net assets	<u>21,654,766</u>	<u>25,017,563</u>
Total liabilities and net assets	<u>\$ 29,484,150</u>	<u>\$ 25,223,728</u>

See notes to financial statements.

Pratham USA

Statements of Activities

	Year Ended December 31,	
	2022	2021
Changes in net assets without donor restrictions		
Revenues and other support		
Contributions	\$ 8,722,339	\$ 18,916,406
Foundation grants	3,248,603	1,804,669
Special events	7,698,461	1,449,524
Less: direct benefit to donors	(1,247,732)	(140,935)
Service revenue	140,470	138,430
Other income	27,669	3,063
Total revenues and other support	<u>18,589,810</u>	<u>22,171,157</u>
Net assets released from restrictions		
Expiration of time and program restrictions	<u>5,216,749</u>	<u>2,286,589</u>
Total revenue without donor restrictions	<u>23,806,559</u>	<u>24,457,746</u>
Expenses		
Program support expenses	20,200,567	17,470,646
General and administrative expenses	1,639,106	1,300,540
Fundraising expenses	<u>4,159,023</u>	<u>2,121,537</u>
Total expenses	<u>25,998,696</u>	<u>20,892,723</u>
Change in net assets without donor restrictions	<u>(2,192,137)</u>	<u>3,565,023</u>
Changes in net assets with donor restrictions		
Contributions	1,052,775	1,564,848
Foundation grants	2,659,502	1,730,429
Special events	195,000	50,000
Other income, net	138,812	1,106
Net assets released from restrictions	<u>(5,216,749)</u>	<u>(2,286,589)</u>
Change in net assets with donor restrictions	<u>(1,170,660)</u>	<u>1,059,794</u>
Increase (decrease) in net assets	(3,362,797)	4,624,817
Net assets, beginning of year	<u>25,017,563</u>	<u>20,392,746</u>
Net assets, end of year	<u>\$ 21,654,766</u>	<u>\$ 25,017,563</u>

See notes to financial statements.

Pratham USA

Statements of Cash Flows

	Year Ended December 31,	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (3,362,797)	\$ 4,624,817
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Donated securities	(292,376)	(518,317)
Realized and unrealized gains on securities	(140,099)	(3,650)
Bad debt	107,275	117,500
Changes in operating assets and liabilities		
Proceeds from sale of donated securities	216,956	539,994
Accounts receivable	37,431	(69,448)
Unconditional promises to give	(1,140,487)	2,177,751
Prepaid expenses	(15,774)	30,116
Other assets	(7,412)	(14,225)
Payables and accrued expenses	<u>7,623,219</u>	<u>(25,133)</u>
Net cash provided by operating activities	<u>3,025,936</u>	<u>6,859,405</u>
Cash flows from investing activities:		
Purchase of investments	<u>(6,500,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(6,500,000)</u>	<u>-</u>
Net change in cash, cash equivalents, and restricted cash	(3,474,064)	6,859,405
Cash, cash equivalents and restricted cash - beginning of year	<u>16,942,896</u>	<u>10,083,491</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 13,468,832</u>	<u>\$ 16,942,896</u>
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 13,218,832	\$ 10,192,896
Restricted cash	<u>250,000</u>	<u>6,750,000</u>
Total cash, cash equivalents and restricted cash	<u>\$ 13,468,832</u>	<u>\$ 16,942,896</u>

See notes to financial statements.

Pratham USA

Statements of Functional Expenses

	Program Support	Supporting Services		Total Expenditures
		General and Administrative	Fundraising	
Year ended December 31, 2022				
Expense category:				
Program	\$ 19,159,488	\$ -	\$ -	\$ 19,159,488
Salary	612,862	1,174,770	2,093,909	3,881,541
Chapter and event expenses	-	1,351	1,892,564	1,893,915
Office	231,516	314,559	134,944	681,019
Publicity	22,923	51,783	666,995	741,701
Bad debt	-	-	107,275	107,275
Other	-	70,016	-	70,016
Travel expenses	173,778	17,158	248,552	439,488
Workshops and meetings	-	9,469	124,134	133,603
Credit card and donation processing fees	-	-	138,382	138,382
	<u>20,200,567</u>	<u>1,639,106</u>	<u>5,406,755</u>	<u>27,246,428</u>
Less: direct benefit to donors	<u>-</u>	<u>-</u>	<u>(1,247,732)</u>	<u>(1,247,732)</u>
Total expenses	<u>\$ 20,200,567</u>	<u>\$ 1,639,106</u>	<u>\$ 4,159,023</u>	<u>\$ 25,998,696</u>
Year ended December 31, 2021				
Expense category:				
Program	\$ 16,990,864	\$ -	\$ -	\$ 16,990,864
Salary	442,002	974,213	1,483,661	2,899,876
Chapter and event expenses	-	-	234,919	234,919
Office	-	214,443	132,956	347,399
Publicity	-	16,019	147,549	163,568
Bad debt	-	-	117,500	117,500
Other	-	95,865	140	96,005
Travel expenses	37,780	-	19,142	56,922
Credit card and donation processing fees	-	-	126,605	126,605
	<u>17,470,646</u>	<u>1,300,540</u>	<u>2,262,472</u>	<u>21,033,658</u>
Less: direct benefit to donors	<u>-</u>	<u>-</u>	<u>(140,935)</u>	<u>(140,935)</u>
Total expenses	<u>\$ 17,470,646</u>	<u>\$ 1,300,540</u>	<u>\$ 2,121,537</u>	<u>\$ 20,892,723</u>

See notes to financial statements.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting PoliciesNature of operations

Pratham USA (the "Organization") was formed in 1999 to raise funds to support Pratham Education Foundation ("PEF") and other affiliated nonprofit organizations work of promoting literacy efforts among the underprivileged children and livelihoods of youth living in India and other parts of the world. The Organization also facilitates volunteerism among youth and adults in the United States of America via internship programs in India to learn about the problems of illiteracy.

The Organization supports several of PEF's programs, which are developed based upon needs assessment of communities and Government Schools and may include preschools, remedial programs, and other educational interventions including use of technology.

The Organization receives monetary contributions from corporations, foundations and individual donors. During 2022, one donor accounted for approximately 10% of the Organization's revenue and approximately 4% of unconditional promises to give. During 2021, one donor accounted for approximately 10% of the Organization's revenue.

Income tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It recognizes the impact of an uncertain tax position only if that position is more likely than not of being sustained upon examination by the taxing authority based on the technical merits. The Organization accounts for interest and penalties relating to uncertain tax positions in the current period statement of activities, if necessary.

Basis of presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, these financial statements present the financial position, change in net assets, and cash flows of the Organization.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification, net assets, revenues, expenses, gains and losses are classified on the existence or absence of donor-imposed restrictions, as follows:

- Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that specify a use for a contributed asset. When a purpose restriction or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (Continued)Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into cash and have an original maturity of three months or less on the date of acquisition.

Restricted cash

The Organization maintains a restricted cash balance of \$250,000 at December 31, 2022 and 2021 that is required to be held in a separate account by the donor and be used for scholarships over a ten-year period ending in 2027. No scholarships have been awarded as of December 31, 2022. In addition, the Organization had \$6,500,000 of restricted cash at December 31, 2021 that was donated as an endowment and invested in securities during 2022. See Note 4 for discussion of this endowment.

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value in the statements of financial position. Gains and losses are included in the change in net assets in the statements of activities. See Note 2 for discussion of fair value measurements.

Revenue and revenue recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in net assets with donor restrictions depending upon the nature of the restriction. When a restriction expires or is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions in which the restrictions are met in the same year as received are recorded as unrestricted contributions in the accompanying statements of activities. Non-current unconditional promises to give are expected to be collected through 2024 and are reflected at the present value using a discount rate of approximately 0.98%. Conditional promises to give are not included as support until the promise becomes unconditional. A conditional promise to give has a barrier to overcome and either the right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. At December 31, 2022 and 2021, the Organization had approximately \$4,416,000 and \$3,125,000, respectively, of contributions that are conditional on spending those funds on allowable expenses during the period of performance.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (Continued)Revenue and revenue recognition (continued)

Service revenue is derived from service agreements with educational programs to provide management and support services. Revenue is recognized in the amount of consideration that the Organization expects to be entitled to receive when performance obligations are satisfied either at a point in time or over time depending on the nature of the services provided, which is generally one year or less. Revenue is recognized using the input method as performance obligations are met. Amounts are billed as work progresses in accordance with agreed-upon terms. Amounts billed that represent the Organization's right to consideration are reported as accounts receivable. At December 31, 2022 and 2021, the Organization had approximately \$26,000 and \$69,000, respectively, in accounts receivable related to service agreements.

During February 2021, the Organization applied for and received a \$262,300 loan issued pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act. The loan bears interest at 1% per annum and has required principal and interest payments commencing 10 months after the end of the covered period, with a maturity of February 2026. The loan can be fully or partially forgiven, as detailed in the terms of the PPP, but generally requires that workers remain employed through the covered period, and the funds are used to pay for designated expenses as defined in the PPP. The loan has been forgiven in March 2022 and recognized as contribution revenue in 2021, as the conditions of the contribution had been met as of December 31, 2021.

The Organization uses the allowance method to determine accounts receivable and uncollectible promises to give. The allowance, if any, is based on historical experience and management's analysis of specific receivables and promises made. Accounts receivable and unconditional promises to give were considered to be collectible by management at December 31, 2022 and 2021, therefore no allowance was necessary.

Promises to give at December 31 are due as follows:

	<u>2022</u>	<u>2021</u>
Receivable within one year	\$ 7,747,170	\$ 5,142,284
Receivable in one to five years	<u>1,410,000</u>	<u>3,000,000</u>
	9,157,170	8,142,284
Less discount to present value	<u>(44,038)</u>	<u>(62,364)</u>
	<u>\$ 9,113,132</u>	<u>\$ 8,079,920</u>

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (Continued)Functional expenses

The costs of providing various programs and other activities during 2022 and 2021 have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services on the basis of estimated time expended or usage by function.

Donated services

Effective January 1, 2022, the Organization adopted FASB Accounting Standard Update ("ASU") 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intention of the ASU is to clarify the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit. The ASU will not change the accounting and recognition of nonfinancial assets but will increase the disclosure requirements in the financial statements. The Organization adopted the ASU on a retrospective basis and no adjustments to the financial statements were required to adopt the ASU. For the years ended December 31, 2022 and 2021, the Organization did not receive significant nonfinancial assets.

Individuals contribute services to assist in the furtherance of the Organization's mission and objectives. The fair value of donated services is recognized in the financial statements only if the services either create or enhance a non-financial asset or requires specialized skills, are provided by entities or persons possessing those skills, and would be purchased if they were not donated. During the years ended December 31, 2022 and 2021, contributed legal and other services were recorded in the statements of activities in contribution revenues and the general and administrative functional category of approximately \$20,000 and \$7,500, respectively.

Marketing and promotion costs

Marketing and promotion costs are expensed as incurred. The Organization expensed approximately \$733,000 and \$164,000 in marketing and promotion costs for the years ended December 31, 2022 and 2021, respectively.

Financial instruments, credit risk and concentration of credit risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents, investments, accounts receivable and unconditional promises to give. Cash and cash equivalents are deposited in demand accounts with federally-insured institutions to minimize risk. From time to time, the balances in these accounts may exceed the federally-insured limits. The Organization has not incurred losses related to these deposits. The investments in marketable securities are exposed to various risks such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (Continued)Financial instruments, credit risk and concentration of credit risk (continued)

Unconditional promises to give and accounts receivables consist of contributions and pledge receivables from individuals, private foundations and corporations across the U.S and Switzerland. Although the Organization is directly affected by the financial stability of its donors, management does not believe significant credit risk exists at December 31, 2022.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make certain assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Management believes its estimates are reasonable.

Note 2 - Fair Value Measurements

The Organization uses a three-level hierarchy for disclosure of the fair value of its cash and cash equivalents and its investments. This hierarchy is based on the transparency of inputs to the valuation process as follows:

- Level 1 – observable inputs such as quoted prices in active markets at the measurement date for identical assets or liabilities.
- Level 2 – other inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

- Money market – valued daily at the net asset value of shares or units held by the Organization based on the quoted market value of the underlying assets.
- Equity securities – valued daily using quoted market prices.
- U.S. Treasury bills – valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 2 - Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the valuation methods are considered appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The fair value of financial assets are as follows as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash, cash equivalents, and restricted cash				
Cash in bank	\$ 13,417,424	\$ -	\$ -	\$ 13,417,424
Undeposited funds	<u>51,408</u>	<u>-</u>	<u>-</u>	<u>51,408</u>
Total cash, cash equivalents and restricted cash	<u>\$ 13,468,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,468,832</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and cash equivalents	\$ 2,140,616	\$ -	\$ -	\$ 2,140,616
Equity securities				
Technology	87,734	-	-	87,734
Treasury bills	-	2,977,265	-	2,977,265
Mutual funds				
Corporate bonds	193,077	-	-	193,077
Intermediate-term bonds	190,003	-	-	190,003
High yield bonds	257,484	-	-	257,484
Large blend	400,835	-	-	400,835
Diversified emerging markets	130,895	-	-	130,895
Foreign large blend	<u>359,011</u>	<u>-</u>	<u>-</u>	<u>359,011</u>
Total investments	<u>\$ 3,759,655</u>	<u>\$ 2,977,265</u>	<u>\$ -</u>	<u>\$ 6,736,920</u>

The fair value of financial assets measured on a recurring basis are as follows as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash, cash equivalents, and restricted cash				
Money market	\$ 13,595	\$ -	\$ -	\$ 13,595
Cash in bank	16,883,176	-	-	16,883,176
Undeposited funds	<u>46,125</u>	<u>-</u>	<u>-</u>	<u>46,125</u>
Total cash, cash equivalents and restricted cash	<u>\$ 16,942,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,942,896</u>
Investments				
Equity securities				
Technology	\$ 20,033	\$ -	\$ -	\$ 20,033
Mutual funds				
Alternate Investment	<u>1,368</u>	<u>-</u>	<u>-</u>	<u>1,368</u>
Total investments	<u>\$ 21,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,401</u>

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, consist of the following:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Vocational education programs	\$ 470,000	\$ 399,800
Open school education programs	111,000	-
Technology and hybrid learning	3,237,442	5,787,261
Hamara Gaon	962,284	81,100
Teaching at Right Level (TaRL)	1,250,000	1,250,000
Endowment	6,638,812	6,500,000
Measurement, monitoring and evaluation	1,040,645	1,040,645
Government partnership	593,764	593,764
Scholarship fund	250,000	250,000
Punjab Education Fund	500,000	700,000
Youthnet	1,360,000	-
COVID relief	8,680	732,804
Other programs	<u>608,351</u>	<u>326,334</u>
	<u>17,030,978</u>	<u>17,661,708</u>
Time restricted:		
Future year operations	<u>1,114,064</u>	<u>1,653,994</u>
Total net assets with donor restrictions	<u>\$ 18,145,042</u>	<u>\$ 19,315,702</u>

During the years ended December 31, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the passage of time in the amounts of \$5,216,749 and \$2,286,589, respectively.

Note 4 - Endowment

During 2019, three donors entered into gift agreements to contribute \$6,500,000 to the Organization to establish an endowment to benefit the overall goals of the Organization. The Organization is subject to the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. The Board of Directors has interpreted TUPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted TUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 4 - Endowment (Continued)

Additionally, in accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net assets consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Original donor-restricted gift amount required to be retained by donor in perpetuity	\$ 6,500,000	\$ 6,500,000
Accumulated undistributed earnings on donor restricted net asset balance	<u>138,812</u>	<u>-</u>
Total endowment net assets	<u>\$ 6,638,812</u>	<u>\$ 6,500,000</u>

Changes in the endowment net assets as of and for the years ended December 31 are as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Accumulated gains and other</u>	<u>Original gift amount</u>	
Endowment net assets, December 31, 2020	\$ -	\$ 6,500,000	\$ 6,500,000
Investment income	-	-	-
Net appreciation	-	-	-
Contributions	-	-	-
Amounts appropriated for expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2021	-	6,500,000	6,500,000
Investment income	19,381	-	19,381
Net appreciation	119,431	-	119,431
Contributions	-	-	-
Amounts appropriated for expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2022	<u>\$ 138,812</u>	<u>\$ 6,500,000</u>	<u>\$ 6,638,812</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature do not exist at December 31, 2022.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 4 - Endowment (Continued)

During September 2022, the Board of Directors and the Investment Committee elected to invest the total endowment into an investment portfolio. The total balance is recorded in investments at fair value on the balance sheet at December 31, 2022. The related gains and losses are recorded within other income in the statement of activities for the year ended December 31, 2022. The primary goal is to manage risk long-term, in which the Organization has determined that a 5-6% return on endowment assets over time is preferable. The Board of Directors and the Investment Committee of the Organization are working to develop a spending policy for endowment assets and from underwater endowments.

Note 5 - Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure within one year at December 31, is as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 13,218,832	\$ 10,192,896
Investments at fair value	6,736,920	21,401
Accounts receivable	32,017	69,448
Unconditional promises to give	9,113,132	8,079,920
Restricted cash	<u>250,000</u>	<u>6,750,000</u>
Total financial assets	29,350,901	25,113,665
Donor-imposed restrictions	<u>(18,145,042)</u>	<u>(19,315,702)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,205,859</u>	<u>\$ 5,797,963</u>

The Organization receives significant contributions and promises to give which are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. In addition, the Organization receives support without donor restrictions, which was approximately 84% and 87% of all support during the years ended December 31, 2022 and 2021, respectively. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 60 days operating expense.

Pratham USA

Notes to Financial Statements

December 31, 2022 and 2021

Note 6 - Related Party Transaction

The Organization provides funds to PEF, an affiliate, to support its efforts in India (see Note 1). The total amount of such expenses paid to the affiliate was \$19,128,488 and \$12,491,556 for the years ended December 31, 2022 and 2021, respectively.

During 2022 and 2021, contributions from Board members consisted of approximately 30% and 24% of total support, respectively. As of December 31, 2022, approximately \$555,000 of the Board contributions were owed to the Organization and was recorded within unconditional promises to give on the balance sheet for the year then ended. No amount of Board contributions were owed to the Organization as of December 31, 2021.

Note 7 - Subsequent Events

The endowment donors provided written approval to change the restriction of their gifts during 2023. In February, March, and April 2023, \$250,000, \$500,000, and \$750,000 of endowment funds, respectively, were released for use in funding Pratham International, a separate legal entity created in September 2022 to carry out programmatic work. In conjunction with the releases for Pratham International, the endowment donors provided written approval to give the Board of Directors full discretion to utilize the remaining principal and income derived from the endowment in the future as deemed necessary.

All equity shares of Pratham USA Learning Solutions Pvt Ltd ("Pratham USA Learning"), a wholly owned subsidiary of the Organization, formed in April 2022 in India, were transferred at no cost to Pratham International as of December 31, 2022. Pratham USA Learning had no operating activity during 2022.

Management has evaluated subsequent events as of August 16, 2023, which was the date the financial statements were available to be issued and has determined that there are no other subsequent events to be reported.