

Pratham International, Inc.
Consolidated Financial Statements
December 31, 2023

Pratham International, Inc.

December 31, 2023

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Functional Expenses.....	6
Notes to Consolidated Financial Statements.....	7-11



PANNELL
KERR
FORSTER
OF TEXAS, P.C.

5847 San Felipe St., Suite 2600
Houston, Texas 77057-3000
Ph: (713) 860-1400
Fax: (713) 355-3909
www.PKFTexas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Pratham International, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Pratham International, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023 and the related consolidated statements of activities, cash flows and functional expenses for the period from inception (September 12, 2022) through December 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pratham International, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the period from inception (September 12, 2022) through December 31, 2023 in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of Pratham International, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 International, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pratham International, Inc.'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.

October 8, 2024

Pratham International, Inc.
Consolidated Statement of Financial Position
December 31, 2023

Assets

Current assets	
Cash and cash equivalents	\$ 2,620,443
Accounts receivable	31,000
Prepaid expenses and other current assets	<u>55,038</u>
Total current assets	<u>2,706,481</u>
Intangible assets	48,284
Other assets	<u>5,713</u>
Total assets	<u>\$ 2,760,478</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 80,169
Current tax liability	<u>13,393</u>
Total current liabilities	<u>93,562</u>
Total liabilities	<u>93,562</u>
Commitments and contingencies	
Net assets	
Without donor restrictions	2,542,788
Accumulated foreign currency translation loss	(908)
With donor restrictions	<u>125,036</u>
Total net assets	<u>2,666,916</u>
Total liabilities and net assets	<u>\$ 2,760,478</u>

See notes to consolidated financial statements.

Pratham International, Inc.

Consolidated Statement of Activities

For the Period from Inception (September 12, 2022) through December 31, 2023

Changes in net assets without donor restrictions	
Revenues and other support	
Contributions	\$ 3,081,376
Gifts in-kind	7,360
Service revenue	92,151
Other income	<u>150</u>
Total revenues and other support	<u>3,181,037</u>
Net assets released from restrictions	
Expiration of time and program restrictions	<u>230,721</u>
Total revenue without donor restrictions	<u>3,411,758</u>
Expenses	
Program support expenses	697,661
General and administrative expenses	<u>171,309</u>
Total expenses	<u>868,970</u>
Change in net assets without donor restrictions	<u>2,542,788</u>
Changes in net assets with donor restrictions	
Contributions	355,757
Net assets released from restrictions	<u>(230,721)</u>
Change in net assets with donor restrictions	<u>125,036</u>
Change in net assets before translation adjustments	2,667,824
Foreign currency translation adjustments	<u>(908)</u>
Change in net assets	2,666,916
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u>\$ 2,666,916</u>

See notes to consolidated financial statements.

Pratham International, Inc.

Consolidated Statement of Cash Flows

For the Period from Inception (September 12, 2022) through December 31, 2023

Cash flows from operating activities:	
Increase in net assets	\$ 2,667,824
Changes in operating assets and liabilities	
Accounts receivable	(31,000)
Prepaid expenses	(55,038)
Other assets	(5,713)
Current tax liability	13,393
Payables and accrued expenses	<u>80,169</u>
Net cash provided by operating activities	<u>2,669,635</u>
Cash flows from investing activities:	
Purchase of trademarks	<u>(48,284)</u>
Net cash used in investing activities	<u>(48,284)</u>
Net change in cash and cash equivalents	2,621,351
Effect of exchange rate on cash and cash equivalents	(908)
Cash and cash equivalents - beginning of period	<u>-</u>
Cash and cash equivalents - end of period	<u>\$ 2,620,443</u>

See notes to consolidated financial statements.

Pratham International, Inc.

Consolidated Statement of Functional Expenses

For the Period from Inception (September 12, 2022) through December 31, 2023

	Program Support			Total Program Support	Supporting Services	
	Digital	International	Skills Training		General and Administrative	Total Expenditures
Salaries	\$ -	\$ 228,872	\$ -	\$ 228,872	\$ 43,117	\$ 271,989
Professional fees and contract services	129,667	143,588	165	273,420	87,103	360,523
Insurance	-	496	-	496	205	701
Office expenses	4,058	3,609	299	7,966	5,613	13,579
Bank charges	-	-	-	-	2,717	2,717
Travel and meetings	7,169	154,039	18,167	179,375	6,306	185,681
Income Tax	-	-	-	-	14,931	14,931
Supplies	-	7,360	-	7,360	-	7,360
Miscellaneous	-	172	-	172	11,317	11,489
Total expenses	\$ 140,894	\$ 538,136	\$ 18,631	\$ 697,661	\$ 171,309	\$ 868,970

See notes to consolidated financial statements.

Pratham International, Inc.

Notes to Consolidated Financial Statements

December 31, 2023

Note 1 - Summary of Significant Accounting PoliciesNature of operations

Pratham International Inc. (the "Organization") was formed on September 12, 2022 ("Inception") to carry out programmatic work by supporting local communities, non-governmental organizations, and governments to adapt and implement solutions collaboratively in diverse contexts worldwide. The Organization facilitates the adaptation and dissemination of proven, scalable solutions, such as the evidence-based Teaching at the Right Level (TaRL) approach, through customized programming and technical assistance suited to local contexts. It also develops educational technology tools and solutions for low-resource settings, focusing on assessment, learner support, and digital content management. Additionally, the Organization partners with local institutions and governments to empower youth through skill-building initiatives.

The Organization receives monetary contributions from corporations, foundations and individual donors. During 2023, one donor accounted for approximately 97% of the Organization's revenue.

Basis of presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and includes the accounts of Pratham International, Inc. and its subsidiary, PUSA Learning Solutions Pvt. Ltd. ("PULS"), of which Pratham International, Inc. holds a 99.7% interest. PULS is a for-profit entity incorporated in India. All significant intercompany balances and transactions have been eliminated in the consolidation.

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC"), 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 consolidated statement of activities.

Income tax status

Pratham International, Inc. 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 consolidated statement of activities, if necessary. PULS provides for income taxes using the asset and liability method as required by ASC Topic 740, Income Taxes.

Pratham International, Inc.

Notes to Consolidated Financial Statements

December 31, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)Income tax status (continued)

The provision for income taxes is computed based upon the reported amount of income before income taxes in accordance with the asset and liability method, whereby deferred income taxes are recorded to reflect the tax consequences on future years of differences between the financial reporting and tax basis of assets and liabilities measured using the enacted tax laws and rates that will be in effect when the differences are expected to reverse. A valuation allowance is provided, if necessary, to reduce deferred tax assets to their estimated net realizable value.

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.

Accounts receivable

Accounts receivable consists of trade receivables for services performed and is stated at amounts billed to customers. The Organization closely monitors outstanding accounts receivable and assesses an allowance for credit losses based on the collectability of customer accounts. The Organization regularly reviews the allowance for credit losses by considering factors such as historical experience, credit quality, age of the accounts receivable balances, industry and other economic factors that may affect a customer's ability to pay.

As of December 31, 2023, management determined its balances to be collectible, therefore no allowance for credit loss was required. The company had outstanding accounts receivable of \$31,000 at December 31, 2023.

Foreign currency

The financial statements of PULS are measured using the local currency of the subsidiary as the functional currency. Accordingly, assets and liabilities of the subsidiary are translated at current rates of exchange at the balance sheet date. Income and expenses are translated at the weighted average exchange rates throughout the year. Translation adjustments are charged or credited to other comprehensive income (loss) and are recorded net of taxes. Foreign currency transaction gains and losses are included in other general and administrative expenses within the consolidated statement of activities.

Intangible assets, net

Intangible assets consist of trademarks with indefinite useful lives. Intangible assets are recorded at their original purchase price.

Pratham International, Inc.

Notes to Consolidated Financial Statements

December 31, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2023, management determined no impairment was necessary.

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 consolidated statement 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 consolidated statement of activities.

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, 2023, the Organization had approximately \$31,000 in accounts receivable related to service agreements.

Functional expenses

The costs of providing various programs and other activities during the period from Inception through December 31, 2023 have been summarized on a functional basis in the consolidated statement 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.

Pratham International, Inc.

Notes to Consolidated Financial Statements

December 31, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)Donated services and materials

Donated assets and services are recorded as donations at their fair values at the date of donation and reported as expense when utilized. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. Individuals contribute services or materials to assist in the furtherance of the Organization's mission and objectives. The fair value of donated assets and services are recorded in the consolidated financial statements only if the services or materials 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. Volunteer services have not been recorded in the consolidated financial statements as they do not meet the requirements to record. The Organization did not monetize any contributed nonfinancial assets and it is their policy not to do so.

Donated nonfinancial assets for the period from Inception through December 31, 2023 consisted of laptops with a fair value of approximately \$7,000.

Financial instruments, credit risk and concentration of credit risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents and accounts receivable. 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. Accounts receivables consist of service revenue receivable from customers. Although the Organization is directly affected by the financial stability of its donors and customers, management does not believe significant credit risk exists at December 31, 2023.

Use of estimates

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

Note 2 - Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 2023, consist of the following:

Purpose restrictions:	
Digital donation	\$ 95,136
Skills training donation	<u>29,900</u>
Total net assets with donor restrictions	<u>\$ 125,036</u>

Pratham International, Inc.

Notes to Consolidated Financial Statements

December 31, 2023

Note 2 - Net Assets with Donor Restrictions (Continued)

For the period from Inception through December 31, 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amounts of \$230,721.

Note 3 - Liquidity and Availability of Resources

The Organization receives contributions 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. 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.

The Organization's financial assets available for general expenditure within one year at December 31 2023, is as follows:

Cash and cash equivalents	\$ 2,620,443
Accounts receivable	31,000
Donor-imposed restrictions	<u>(125,036)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,526,407</u>

Note 4 - Related Party Transactions

During the period from Inception through December 31, 2023 the Organization received 100% of its contributions from an affiliate organization.

During the period from Inception through December 31, 2023 the Organization incurred approximately \$24,000 in professional fees from an affiliate organization, which is included in the consolidated statement of functional expenses.

Note 5 - Subsequent Events

Management has evaluated subsequent events through October 8, 2024, which is the date the consolidated financial statements were available to for issuance. Management has determined that there are no subsequent events to be reported.