

The English-Speaking Union of the United States

Consolidated Financial Statements

June 30, 2022

Independent Auditors' Report

Board of Directors
The English-Speaking Union of the United States

Opinion

We have audited the accompanying consolidated financial statements of The English-Speaking Union of the United States ("ESU") which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, 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 consolidated financial position of ESU as of June 30, 2022 and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Financial Statements section of our report. We are required to be independent of ESU 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ESU'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 ESU'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 ESU'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.

Report on Summarized Comparative Information

We have previously audited The English-Speaking Union of the United States' June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

June 23, 2023

The English-Speaking Union of the United States

Consolidated Statement of Financial Position
June 30, 2022
(with comparative amounts at June 30, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,057,047	\$ 1,992,586
Certificates of deposit	290,399	335,626
Accounts receivable	231,100	261,383
Prepaid expenses and other assets	47,544	-
Investments held by National Headquarters, at fair value	11,642,531	15,931,687
Investments held by branches, at fair value	7,007,289	8,607,696
Headquarters building, net of accumulated depreciation	3,459,537	3,636,135
Office equipment and fixtures, net of accumulated depreciation	50,667	67,531
	\$ 24,786,114	\$ 30,832,644
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 467,708	\$ 244,628
Paycheck protection program loan payable	-	187,912
Deferred revenue	142,616	-
Capital lease payable	25,915	55,674
Total Liabilities	636,239	488,214
 Net Assets		
Without Donor Restrictions		
Investment in headquarters building and office equipment	3,510,184	3,703,666
Board designated	9,470,812	14,040,870
Undesignated	5,647,380	5,469,755
Total Net Assets Without Donor Restrictions	18,628,376	23,214,291
With Donor Restrictions		
Time and purpose restricted	2,650,118	4,258,758
Perpetual in nature	2,871,381	2,871,381
Total Net Assets	24,149,875	30,344,430
	\$ 24,786,114	\$ 30,832,644

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Activities Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Without Donor Restrictions				With Donor Restrictions		Total 2022	Total 2021
	Undesignated	Board Designated	Investment in Headquarters Building and Office Equipment	Total	Time and Purpose Restricted	Perpetual In Nature		
OPERATING REVENUE AND SUPPORT								
Operating Revenue								
Membership dues	\$ 260,432	\$ -	\$ -	\$ 260,432	\$ -	\$ -	\$ 260,432	\$ 243,196
Education	121,286	-	-	121,286	-	-	121,286	69,210
Total Operating Revenue	381,718	-	-	381,718	-	-	381,718	312,406
Contributions	226,954	178,226	-	405,180	210,423	-	615,603	644,979
Contributed nonfinancial assets	58,300	-	-	58,300	-	-	58,300	52,500
Allocated investment income to operations	-	552,601	-	552,601	259,184	-	811,785	653,445
Appropriations for expenditure	1,270,552	(1,270,552)	-	-	-	-	-	-
Speakers and conferences	355,884	-	-	355,884	-	-	355,884	92,288
Special events income, net of event expenses of \$26,762 in 2022 and \$9,259 in 2021	20,953	-	-	20,953	-	-	20,953	6,555
Grant revenue	186,085	-	-	186,085	-	-	186,085	159,900
Other revenue	165,214	-	-	165,214	-	-	165,214	192,312
Transfers from Board designated reserves - HQ	538,000	(538,000)	-	-	-	-	-	-
Transfers from Board designated reserves - branches	9,472	(9,472)	-	-	-	-	-	-
Net assets released from restrictions	478,168	-	-	478,168	(478,168)	-	-	-
Total Operating Revenue and Support	<u>3,691,300</u>	<u>(1,087,197)</u>	<u>-</u>	<u>2,604,103</u>	<u>(8,561)</u>	<u>-</u>	<u>2,595,542</u>	<u>2,114,385</u>
OPERATING EXPENSES								
Program Services								
Membership services	111,673	-	5,972	117,645	-	-	117,645	100,486
Speakers and conferences	26,971	-	1,447	28,418	-	-	28,418	4,910
Branch services	291,426	-	15,597	307,023	-	-	307,023	201,414
Communications	4,413	-	236	4,649	-	-	4,649	21,219
Education	1,483,192	-	79,351	1,562,543	-	-	1,562,543	945,398
Branch events and meetings	459,581	-	-	459,581	-	-	459,581	123,370
Total Program Services	<u>2,377,256</u>	<u>-</u>	<u>102,603</u>	<u>2,479,859</u>	<u>-</u>	<u>-</u>	<u>2,479,859</u>	<u>1,396,797</u>
Supporting Services								
Management and general	667,142	-	-	667,142	-	-	667,142	1,074,872
Fundraising	84,236	-	-	84,236	-	-	84,236	157,819
Depreciation and amortization	-	-	102,613	102,613	-	-	102,613	102,321
Total Supporting Services	<u>751,378</u>	<u>-</u>	<u>102,613</u>	<u>853,991</u>	<u>-</u>	<u>-</u>	<u>853,991</u>	<u>1,335,012</u>
Total Operating Expenses	<u>3,128,634</u>	<u>-</u>	<u>205,216</u>	<u>3,333,850</u>	<u>-</u>	<u>-</u>	<u>3,333,850</u>	<u>2,731,809</u>
Change in Net Assets from Operations	562,666	(1,087,197)	(205,216)	(729,747)	(8,561)	-	(738,308)	(617,424)
NON-OPERATING ITEMS								
Investment return - National Headquarters	-	(3,426,845)	-	(3,426,845)	(433,236)	-	(3,860,081)	3,386,279
Investment return - branches	(371,237)	(56,016)	-	(427,253)	(1,166,843)	-	(1,594,096)	1,998,084
Other non-operating loss	(2,070)	-	-	(2,070)	-	-	(2,070)	-
Transfer of building and equipment purchases	(11,734)	-	11,734	-	-	-	-	-
Change in Net Assets	177,625	(4,570,058)	(193,482)	(4,585,915)	(1,608,640)	-	(6,194,555)	4,766,939
NET ASSETS								
Beginning of year	5,469,755	14,040,870	3,703,666	23,214,291	4,258,758	2,871,381	30,344,430	25,577,491
End of year	<u>\$ 5,647,380</u>	<u>\$ 9,470,812</u>	<u>\$ 3,510,184</u>	<u>\$ 18,628,376</u>	<u>\$ 2,650,118</u>	<u>\$ 2,871,381</u>	<u>\$ 24,149,875</u>	<u>\$ 30,344,430</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Program Services						Management and General	Fundraising	Total Expenses 2022	Total Expenses 2021	
	Membership Services	Speakers and Conferences	Branch Services	Communications	Education	Branch Events and Meetings					Total Programs
Salaries, payroll taxes and benefits	\$ 69,412	\$ 8,928	\$ 198,724	\$ -	\$ 648,547	\$ -	\$ 925,611	\$ 164,643	\$ 16,218	\$ 1,106,472	\$ 1,029,670
Professional and consulting fees	5,431	4,802	50,451	4,269	325,492	-	390,445	255,948	68,666	715,059	778,727
Scholarships and awards	1,825	525	747	-	43,621	-	46,718	1,210	7,199	55,127	224,591
Travel and meetings	-	11,165	1,785	-	3,708	-	16,658	12,194	3,366	32,218	46,973
Occupancy (utilities and maintenance)	8,611	1,108	24,654	-	65,769	-	100,142	35,115	2,011	137,268	137,617
In-kind rent	-	-	-	-	58,300	-	58,300	-	-	58,300	52,500
Branch events and meetings	-	-	-	-	299,393	459,581	758,974	-	-	758,974	123,370
Administrative and miscellaneous	26,394	443	14,940	144	37,739	-	79,660	112,363	11,185	203,208	71,830
Insurance and finance fees	-	-	125	-	623	-	748	85,669	2,353	88,770	61,813
Total Expenses Before Depreciation	111,673	26,971	291,426	4,413	1,483,192	459,581	2,377,256	667,142	110,998	3,155,396	2,527,091
Add: Depreciation and amortization	5,972	1,447	15,597	236	79,351	-	102,603	102,613	-	205,216	204,718
Less: Costs with direct benefits to donors	-	-	-	-	-	-	-	-	(26,762)	(26,762)	-
Total Expenses	\$ 117,645	\$ 28,418	\$ 307,023	\$ 4,649	\$ 1,562,543	\$ 459,581	\$ 2,479,859	\$ 769,755	\$ 84,236	\$ 3,333,850	\$ 2,731,809

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Cash Flows
Year Ended June 30, 2022
(with comparative amounts for the year ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (6,194,555)</u>	<u>\$ 4,766,939</u>
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized loss (gain) on investments	4,902,774	(5,709,367)
Depreciation and amortization	205,216	204,718
Forgiveness of paycheck protection program loan	(187,912)	(159,900)
Receipt of donated fixtures	(5,800)	-
Changes in Operating Assets and Liabilities		
Accounts receivable	30,283	(198,978)
Prepaid expenses and other assets	(47,544)	31,488
Deferred revenue	142,616	-
Accounts payable and accrued expenses	<u>223,080</u>	<u>131,940</u>
Total Adjustments	<u>5,262,713</u>	<u>(5,700,099)</u>
Net Cash From Operating Activities	<u>(931,842)</u>	<u>(933,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption (purchase) of certificates of deposit, net	45,227	(26,920)
Purchase of equipment and building improvements	(5,954)	(47,559)
Net proceeds from investments	<u>986,789</u>	<u>967,558</u>
Net Cash From Investing Activities	<u>1,026,062</u>	<u>893,079</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from paycheck protection program loan	-	187,912
Principal payments on capital lease	<u>(29,759)</u>	<u>(24,744)</u>
Net Cash From Financing Activities	<u>(29,759)</u>	<u>163,168</u>
 Increase in Cash and Cash Equivalents	 64,461	 123,087
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,992,586</u>	<u>1,869,499</u>
End of year	<u>\$ 2,057,047</u>	<u>\$ 1,992,586</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Organization and Taxation

The English-Speaking Union of the United States (“ESU”) is a not-for-profit organization incorporated in the State of Delaware for charitable and educational purposes with headquarters located in New York, NY (HQ). Sixty-five branches of ESU operated through independent governing boards throughout the United States. These branches supported their own scholarships and programs as well as those of HQ. Since 1920, ESU has grown to include a broad domestic education and exchange base in the United States.

Effective July 1, 2016, substantially all of the branches of ESU were reorganized as single member limited liability companies in the State of Delaware with HQ serving as the branches’ sole member. Therefore, commencing for the year ended June 30, 2017, the financial operations of HQ and the LLC branches (the “branches”) were consolidated and reported as one entity for financial reporting purposes.

ESU is exempt from income tax under Sections 501(c)(3) and 509(a) of the Internal Revenue Code of 1986.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of HQ and the branches. All significant intercompany transactions and accounts have been eliminated in consolidation.

Revenue and Revenue Recognition

ESU recognizes program revenue at a point in time in which the performance obligation is met. If revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned (i.e. membership fees). Based on ESU’s strong collection experience, ESU has concluded that all revenue recognized is probable of collection. There were no contract assets as of June 30, 2022 and 2021. Contract liabilities consisted of deferred revenue of \$142,616 as of June 30, 2022. Accounts receivable was \$62,405 as of June 30, 2020.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions - consist of resources available for the general support of ESU's operations. These net assets may be used at the discretion of ESU's management and Board of Directors (the "Board").

With donor restrictions - represent amounts restricted by donors for specific activities of ESU or to be used at some future date. ESU records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. Income and gains earned on endowment fund investments are available to be used in the 'with donor restrictions' or 'without donor restrictions' net asset classes upon stipulations by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For statement of cash flow purposes, ESU considers all highly liquid debt instruments purchased with a maturity of three months or less, except for such items in its investment account, to be cash equivalents.

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest and consists of maturities of more than three months when acquired.

Fair Value Measurements

ESU follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

ESU follows US GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Investments Valuation and Income Recognition

Investments are carried at fair value except for temporary cash investments which are carried at cost. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Headquarters Building, Building Improvements and Office Equipment

ESU follows the practice of capitalizing expenditures for building, improvements and equipment with cost of \$500 or higher and having a useful life of more than one year. Depreciation is expensed on a straight-line basis over the estimated useful lives of the assets which range from 4 to 39 years.

ESU reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset exceeds its fair value. If such review indicates that the asset is impaired, the asset's carrying amount would be written down to fair value. Management has determined that no impairment adjustment was required for the years ended June 30, 2022 and 2021.

Contributions

Contributions received, including unconditional promises to give, are recognized as support in the period received at their fair value. Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, 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.

Membership Dues

Revenue from membership dues are recognized as support over the membership period.

Change in Accounting Policy

Gifts-in-Kind

Effective July 1, 2021 ESU adopted ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Contributions of services and use of facilities are recognized at their fair value. The value of the contributed services and use of facilities recognized as revenue and expense in the consolidated statement of activities for the years ended June 30, 2022 and 2021 was \$58,300 and \$52,500, all of which was allocated to program services. There was no material impact to the consolidated financial statements as a result of adopting ASU 2020-07.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Change in Accounting Policy (continued)

Gifts-in-Kind (continued)

ESU received contributed nonfinancial assets as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>Utilization in Programs / Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Rent	\$ 58,300	\$ 52,500	Allocated across all functions	None	Estimated based on market values of similar space rentals

Operating Measure

ESU classifies its activities in the accompanying consolidated statement of activities as operating and non-operating. Operating activities principally include all income and expenses related to carrying out ESU's charitable and educational mission. Operating revenue also includes investment return to fund current operations, in accordance with ESU's endowment spending rate policy.

Non-operating activities principally include investment return in excess of (or less than) amounts authorized for expenditure by ESU's Board of Directors (spending rate policy), contributions and other resources intended for permanently restricted purposes and other activities considered to be of a more unusual or non-recurring nature.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct program costs are allocated directly to programs. Costs identifiable to a particular function are directly charged to the program or supporting service. Other costs, such as meals and transportation, building-related expenses, and general business expenses, are allocated based on the percentage of overall salary allocation or square footage, whichever is more appropriate.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

ESU recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that ESU had no uncertain tax positions that would require financial statement disclosure or recognition. ESU is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2019.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is June 23, 2023.

3. Credit Risk Concentration

Certain financial instruments potentially subject ESU to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments and receivables. ESU's cash and investments are held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). At times cash and cash equivalents and investment balances held at these financial institutions may exceed insured limits. ESU does not have a material concentration of credit risk with respect to accounts and promises to give receivable.

At June 30, 2022, ESU's uninsured cash on deposit totaled \$326,341.

4. Investments and Investment Return

ESU utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Target allocation percentages are established for various asset classes and are modified over time. Performance is measured against a composite benchmark of investment indices reflecting the target asset allocation.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Investments and Investment Return *(continued)*

The following are the types of investments held by HQ at June 30, 2022 and 2021 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

<u>2022</u>			
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments at Fair Value by Level of Input			
Fixed income	\$ -	\$ 1,597,256	\$ 1,597,256
Equity securities	<u>9,711,731</u>	<u>-</u>	<u>9,711,731</u>
Total Investments at Fair Value	<u>\$ 9,711,731</u>	<u>\$ 1,597,256</u>	11,308,987
Temporary cash investment at cost			<u>333,544</u>
Total Investments			<u>\$ 11,642,531</u>
 <u>2021</u>			
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments at Fair Value by Level of Input			
Fixed income	\$ -	\$ 98,350	\$ 98,350
Equity securities	<u>15,771,885</u>	<u>-</u>	<u>15,771,885</u>
	<u>\$ 15,771,885</u>	<u>\$ 98,350</u>	15,870,235
Temporary cash investment at cost			<u>61,452</u>
Total Investments			<u>\$ 15,931,687</u>

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Investments and Investment Return *(continued)*

The following are the types of investments held by the branches at June 30, 2022 and 2021 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

2022

Description	Level 1	Level 2	Level 3	Total
Investments at Fair Value by Level of Input				
Fixed income	\$ -	\$ 258,655	\$ -	\$ 258,655
Equity securities	4,642,515	-	-	4,642,515
Mutual funds	1,416,484	-	-	1,416,484
	<u>6,058,999</u>	<u>258,655</u>	<u>-</u>	<u>6,317,654</u>
Other				
Beneficial Interest in Trusts (i)	-	-	395,901	395,901
Total Investments at Fair Value	<u>\$ 6,058,999</u>	<u>\$ 258,655</u>	<u>\$ 395,901</u>	<u>6,713,555</u>
Temporary cash investment at cost				293,734
Total Investments				<u>\$ 7,007,289</u>

2021

Description	Level 1	Level 2	Level 3	Total
Investments at Fair Value by Level of Input				
Fixed income	\$ -	\$ 288,592	\$ -	\$ 288,592
Equity securities	5,858,960	-	-	5,858,960
Mutual funds	1,820,378	-	-	1,820,378
	<u>7,679,338</u>	<u>288,592</u>	<u>-</u>	<u>7,967,930</u>
Other				
Beneficial Interest in Trusts (i)	-	-	480,692	480,692
Total Investments at Fair Value	<u>\$ 7,679,338</u>	<u>\$ 288,592</u>	<u>\$ 480,692</u>	<u>8,448,622</u>
Temporary cash investment at cost				159,074
Total Investments				<u>\$ 8,607,696</u>

- (i) ESU maintains four beneficial interests in certain trusts administered by third parties. These trusts are valued at \$395,901 and \$480,692 at June 30, 2022 and 2021. As these trusts are controlled and invested by independent third parties, ESU records a beneficial interest for its ratable share of the assets based on the fair value of each trust's underlying assets. Changes in the beneficial interest in trusts is recorded as part of investment return – branches on the accompanying consolidated statement of activities.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Investments and Investment Return *(continued)*

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable input (Level 3) during fiscal 2022 and 2021:

	<u>Beneficial Interests in Trusts</u>
Balance, June 30, 2020	\$ 382,285
Interest and dividends	7,871
Fees and expenses	(2,019)
Unrealized gains	<u>92,555</u>
Balance, June 30, 2021	480,692
Interest and dividends	18,873
Distributions	(29,042)
Fees and expenses	(3,209)
Unrealized loss	<u>(71,413)</u>
Balance, June 30, 2022	<u>\$ 395,901</u>

Return Objectives, Strategies Employed and Spending Policy

ESU has adopted the total return concept for the purpose of appropriating earnings for the purpose of appropriating earnings from its combined investments for expenditure. The budgeted annual distribution rate was 5% of the three year market value of the combined portfolios for the years ended June 30, 2022 and 2021.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Investments and Investment Return *(continued)*

The following is a summary of the investment returns on the investments held by HQ for the fiscal years ended June 30, 2022 and 2021:

2022

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest	\$ 251,100	\$ 31,745	\$ 282,845
Unrealized loss	(4,735,157)	(598,638)	(5,333,795)
Realized gain on investment sales	1,692,916	214,025	1,906,941
Custody and advisory fees	(83,103)	(10,506)	(93,609)
Total Investment Return	<u>\$ (2,874,244)</u>	<u>\$ (363,374)</u>	<u>\$ (3,237,618)</u>
Allocated to operations:			
General operations	\$ 436,703	\$ -	\$ 436,703
Speaker and member services	6,656	-	6,656
Education	109,242	26,477	135,719
Book services	-	43,385	43,385
Total Allocated to Operations	552,601	69,862	622,463
Allocated to Non-operating Activities	<u>(3,426,845)</u>	<u>(433,236)</u>	<u>(3,860,081)</u>
	<u>\$ (2,874,244)</u>	<u>\$ (363,374)</u>	<u>\$ (3,237,618)</u>

2021

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest	\$ 197,617	\$ 22,433	\$ 220,050
Unrealized appreciation	1,956,838	222,137	2,178,975
Realized gain on investment sales	1,502,517	170,563	1,673,080
Custody and advisory fees	(74,072)	(7,832)	(81,904)
Total Investment Return	<u>\$ 3,582,900</u>	<u>\$ 407,301</u>	<u>\$ 3,990,201</u>
Allocated to operations:			
General operations	\$ 435,724	\$ -	\$ 435,724
Speaker and member services	6,195	-	6,195
Education	107,450	54,553	162,003
Total Allocated to Operations	549,369	54,553	603,922
Allocated to Non-operating Activities	<u>3,033,531</u>	<u>352,748</u>	<u>3,386,279</u>
	<u>\$ 3,582,900</u>	<u>\$ 407,301</u>	<u>\$ 3,990,201</u>

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Investments and Investment Return *(continued)*

The following is a summary of the investment return on the investments held by the branches for the fiscal years ended June 30, 2022 and 2021:

2022

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 13,206	\$ 98,061	\$ 111,267
Unrealized depreciation	(545,279)	(1,524,277)	(2,069,556)
Realized gain on investment sales	115,762	477,911	593,673
Custody and advisory fees	(10,942)	(29,216)	(40,158)
Total Investment Return	\$ (427,253)	\$ (977,521)	\$ (1,404,774)
Allocated to operations:			
Education	\$ -	\$ 189,322	\$ 189,322
Total Allocated to Operations	-	189,322	189,322
Allocated to Non-operating Activities	(427,253)	(1,166,843)	(1,594,096)
	\$ (427,253)	\$ (977,521)	\$ (1,404,774)

2021

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 148,718	\$ 70,382	\$ 219,100
Unrealized appreciation	517,880	849,569	1,367,449
Realized gain on investment sales	118,057	371,287	489,344
Custody and advisory fees	(9,911)	(18,375)	(28,286)
Total Investment Return	\$ 774,744	\$ 1,272,863	\$ 2,047,607
Allocated to operations:			
Education	\$ -	\$ 49,523	\$ 49,523
Total Allocated to Operations	-	49,523	49,523
Allocated to Non-operating Activities	774,744	1,223,340	1,998,084
	\$ 774,744	\$ 1,272,863	\$ 2,047,607

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Investments and Investment Return *(continued)*

The following is a reconciliation of the HQ investment activity for fiscal years 2022 and 2021 in the donor restricted and board designated funds:

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated	Purpose Restricted	Perpetual in Nature	
Balance, June 30, 2020	\$ 11,800,877	\$ 664,588	\$ 685,286	\$ 13,150,751
Contributions	93,427	-	-	93,427
Interest and dividends	197,617	22,433	-	220,050
Unrealized appreciation	1,956,838	222,137	-	2,178,975
Realized appreciation	1,502,517	170,563	-	1,673,080
Transfers to operations	(633,954)	-	-	(633,954)
Custody fees	(74,072)	(7,832)	-	(81,904)
Appropriation for expenditure	<u>(1,016,024)</u>	<u>(9,069)</u>	<u>-</u>	<u>(1,025,093)</u>
Balance, June 30, 2021	13,827,226	1,062,820	685,286	15,575,332
Contributions	178,226	69,862	-	248,088
Interest and dividends	251,100	31,745	-	282,845
Unrealized depreciation	(4,735,157)	(598,638)	-	(5,333,795)
Realized appreciation	1,692,916	214,025	-	1,906,941
Transfers to operations	(538,000)	-	-	(538,000)
Custody fees	(83,103)	(10,506)	-	(93,609)
Appropriation for expenditure	<u>(1,270,552)</u>	<u>(74,366)</u>	<u>-</u>	<u>(1,344,918)</u>
Balance, June 30, 2022	<u>\$ 9,322,656</u>	<u>\$ 694,942</u>	<u>\$ 685,286</u>	<u>\$ 10,702,884</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 694,942	\$ 685,286	\$ 1,380,228
Board designated funds	<u>9,322,656</u>	<u>-</u>	<u>-</u>	<u>9,322,656</u>
Total Funds	<u>\$ 9,322,656</u>	<u>\$ 694,942</u>	<u>\$ 685,286</u>	<u>\$ 10,702,884</u>

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Investments and Investment Return *(continued)*

The following is a reconciliation of the branches investment activity for fiscal years 2022 and 2021 in the donor restricted and board designated funds:

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated	Purpose Restricted	Perpetual in nature	
Balance, June 30, 2020	\$ 175,109	\$ 1,827,891	\$ 2,185,571	\$ 4,188,571
Interest and dividends	3,116	70,382	-	73,498
Unrealized appreciation	37,617	849,569	-	887,186
Realized appreciation	7,440	371,287	-	378,727
Custody fees	(814)	(18,375)	-	(19,189)
Transfer to operations	(8,824)	-	-	(8,824)
Appropriation for expenditure	-	(49,523)	-	(49,523)
Balance, June 30, 2021	213,644	3,051,231	2,185,571	5,450,446
Interest and dividends	4,342	98,061	-	102,403
Unrealized depreciation	(80,225)	(1,524,277)	-	(1,604,502)
Realized appreciation	21,161	477,911	-	499,072
Custody fees	(1,294)	(29,216)	-	(30,510)
Transfer to operations	(9,472)	-	-	(9,472)
Appropriation for expenditure	-	(189,322)	-	(189,322)
Balance, June 30, 2022	<u>\$ 148,156</u>	<u>\$ 1,884,388</u>	<u>\$ 2,185,571</u>	<u>\$ 4,218,115</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 1,884,388	\$ 2,185,571	\$ 4,069,959
Board designated funds	148,156	-	-	148,156
Total Funds	<u>\$ 148,156</u>	<u>\$ 1,884,388</u>	<u>\$ 2,185,571</u>	<u>\$ 4,218,115</u>

Interpretation of Relevant Law

The Board of Directors of ESU has interpreted New York Prudent Management of Institutional Funds Act (“NYPMIFA”) and Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ESU classifies as net assets with donor restrictions perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions – time and purpose restricted until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA and FUPMIFA.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 2,057,047	\$ 1,992,586
Certificates of deposit	290,399	335,626
Investments, at fair value	18,649,820	24,539,383
Accounts receivable	231,100	261,383
Less: donor restricted net assets	(5,521,499)	(7,130,139)
Add: time or purpose restrictions expected to be released	70,788	503,328
Less: Board designated net assets	(9,470,812)	(14,040,870)
Add: Estimated Board designated investment spend rate allocation to operations	679,133	704,015
Less: Investments in beneficial interests in perpetual trusts	(395,901)	(480,692)
Total Available for General Expenditure	\$ 6,590,075	\$ 6,684,620

ESU structures its financial assets, consisting of cash and pledges receivable to be available as its general expenditures and liabilities come due within one year. In addition, ESU generates cash flow from contributions and pledges, made by donors through its fundraising efforts, primarily from its annual gala event. Additionally, ESU receives cash flow from drawdowns or endowment funds based on spending rates and as restrictions are met.

6. Headquarters' Building and Office Equipment

Building and office equipment at June 30, 2022 and 2021 consisted of the following:

	June 30	
	2022	2021
Land	\$ 930,900	\$ 930,900
Building and improvements	4,702,398	4,701,078
	5,633,298	5,631,978
Less accumulated depreciation	2,173,761	1,995,843
	\$ 3,459,537	\$ 3,636,135
Office equipment and fixtures	\$ 123,378	\$ 112,933
Less accumulated depreciation	72,711	45,402
	\$ 50,667	\$ 67,531

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

6. Headquarters' Building and Office Equipment (*continued*)

Depreciation expense for the years ended June 30, 2022 and 2021 in the amount of \$205,216 and \$204,718 has been allocated to various programs \$102,603 and \$102,397 for 2022 and 2021 and supporting services (\$102,613 and \$102,321 for 2022 and 2021) based on management's estimate of the benefit. Office equipment includes an asset held under a capital lease totaling \$98,976 (\$98,976 for 2021) and related accumulated depreciation of \$68,046 at June 30, 2022 (\$43,302 for 2021).

7. Paycheck Protection Program Loan

On May 1, 2020, ESU received loan proceeds in the amount of \$159,900 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. As of June 30, 2021, the PPP loan was forgiven and is reported as grant revenue on the 2021 consolidated statement of activities.

On March 28, 2021, ESU received a second loan under the PPP ("PPP loan 2"). As of June 30, 2022, the PPP loan was forgiven and is reported as grant revenue on the 2022 consolidated statement of activities.

8. Capital Lease

ESU is committed under a capital lease for office equipment. The lease expires in 2024 and provides for the following minimum annual payments.

<u>Year Ending June 30</u>	
2023	\$ 19,729
2024	<u>6,186</u>
	<u>\$ 25,915</u>

9. Net Assets With Donor Restrictions – Time and Purpose Restricted

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Earning on endowment funds (timing)	\$ 2,579,330	\$ 4,114,051
ARNIC	63,893	137,812
Scholarships	<u>6,895</u>	<u>6,895</u>
	<u>\$ 2,650,118</u>	<u>\$ 4,258,758</u>

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

9. Net Assets With Donor Restrictions – Time and Purpose Restricted *(continued)*

The following amounts were released from net assets with donor restrictions by authorization of the donor and/or the occurrence of the event for which the donor specified such donation was to be used for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Earning on endowment funds (timing)	\$ 189,322	\$ 57,991
ARNIC	284,344	280,555
Scholarships	<u>4,502</u>	<u>-</u>
	<u>\$ 478,168</u>	<u>\$ 338,546</u>

10. Net Assets With Donor Restrictions – Perpetual in Nature

Net assets of \$2,871,381 at June 30, 2022 and 2021 represent gifts which have been restricted by the donor in perpetuity, and from which the income is to be used for the ESU's education programs.

11. Pension Plan

Eligible employees of ESU who are employed in HQ participate in a money purchase pension plan, as defined in Section 403(b) of the Internal Revenue Code. Employer contributions are made for eligible employees at the rate of 7.5% of covered compensation. Pension expense amounted to \$32,763 and \$23,834 for the years ended June 30, 2022 and 2021.

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