

The English-Speaking Union of the United States

Consolidated Financial Statements

June 30, 2021

Independent Auditors' Report

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

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, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The English-Speaking Union of the United States as of June 30, 2021 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.

Report on Summarized Comparative Information

We have previously audited The English-Speaking Union of the United States' June 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

July 28, 2022

The English-Speaking Union of the United States

Consolidated Statement of Financial Position
June 30, 2021
(with comparative amounts at June 30, 2020)

	June 30	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,992,586	\$ 1,869,499
Certificates of deposit	335,626	308,706
Accounts receivable	261,383	62,405
Prepaid expenses and other assets	-	31,488
Investments held by National Headquarters, at fair value	15,931,687	13,173,790
Investments held by branches, at fair value	8,607,696	6,623,784
Headquarters building, net of accumulated depreciation	3,636,135	3,780,407
Office equipment, net of accumulated depreciation	<u>67,531</u>	<u>80,418</u>
	<u>\$ 30,832,644</u>	<u>\$ 25,930,497</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 244,628	\$ 112,688
Paycheck protection program loan payable	187,912	159,900
Capital lease payable	<u>55,674</u>	<u>80,418</u>
Total Liabilities	<u>488,214</u>	<u>353,006</u>
 Net Assets		
Without Donor Restrictions		
Investment in headquarters building and office equipment	3,703,666	3,860,825
Board designated	14,040,870	11,975,986
Undesignated	<u>5,469,755</u>	<u>4,153,964</u>
Total Net Assets Without Donor Restrictions	23,214,291	19,990,775
With Donor Restrictions		
Time and purpose restricted	4,258,758	2,715,335
Perpetual in nature	<u>2,871,381</u>	<u>2,871,381</u>
Total Net Assets	<u>30,344,430</u>	<u>25,577,491</u>
	<u>\$ 30,832,644</u>	<u>\$ 25,930,497</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Activities Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Without Donor Restrictions				With Donor Restrictions		Total 2021	Total 2020
	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	\$ 243,196	\$ -	\$ -	\$ 243,196	\$ -	\$ -	\$ 243,196	\$ 246,822
Education	69,210	-	-	69,210	-	-	69,210	94,875
Total Operating Revenue	312,406	-	-	312,406	-	-	312,406	341,697
Contributions	402,247	93,427	-	495,674	201,805	-	697,479	1,151,866
Allocated investment income to operations	-	549,369	-	549,369	104,076	-	653,445	767,507
Appropriations for expenditure	1,016,024	(1,016,024)	-	-	-	-	-	-
Branch events and meetings	-	-	-	-	-	-	-	322,842
Speakers and conferences	92,288	-	-	92,288	-	-	92,288	51,670
Special events income, net of event expenses of \$9,259 in 2021 and \$0 in 2020	6,555	-	-	6,555	-	-	6,555	-
Grant revenue	159,900	-	-	159,900	-	-	159,900	-
Other revenue	192,312	-	-	192,312	-	-	192,312	71,230
Transfers from Board designated reserves - HQ	633,954	(633,954)	-	-	-	-	-	-
Transfers from Board designated reserves - branches	8,824	(8,824)	-	-	-	-	-	-
Net assets released from restrictions	338,546	-	-	338,546	(338,546)	-	-	-
Total Operating Revenue and Support	<u>3,163,056</u>	<u>(1,016,006)</u>	<u>-</u>	<u>2,147,050</u>	<u>(32,665)</u>	<u>-</u>	<u>2,114,385</u>	<u>2,706,812</u>
OPERATING EXPENSES								
Program Services								
Membership services	92,407	-	8,079	100,486	-	-	100,486	13,945
Branch events and meetings	123,370	-	-	123,370	-	-	123,370	348,893
Speakers and conferences	4,511	-	399	4,910	-	-	4,910	70,168
Education	869,388	-	76,010	945,398	-	-	945,398	1,200,196
Communications	19,509	-	1,710	21,219	-	-	21,219	6,864
Branch services	185,215	-	16,199	201,414	-	-	201,414	122,511
Total Program Services	<u>1,294,400</u>	<u>-</u>	<u>102,397</u>	<u>1,396,797</u>	<u>-</u>	<u>-</u>	<u>1,396,797</u>	<u>1,762,577</u>
Supporting Services								
Management and general	1,074,872	-	-	1,074,872	-	-	1,074,872	997,261
Fundraising	157,819	-	-	157,819	-	-	157,819	199,585
Depreciation and amortization	-	-	102,321	102,321	-	-	102,321	102,321
Total Supporting Services	<u>1,232,691</u>	<u>-</u>	<u>102,321</u>	<u>1,335,012</u>	<u>-</u>	<u>-</u>	<u>1,335,012</u>	<u>1,299,167</u>
Total Operating Expenses	<u>2,527,091</u>	<u>-</u>	<u>204,718</u>	<u>2,731,809</u>	<u>-</u>	<u>-</u>	<u>2,731,809</u>	<u>3,061,744</u>
Change in Net Assets from Operations	635,965	(1,016,006)	(204,718)	(584,759)	(32,665)	-	(617,424)	(354,932)
NON-OPERATING ITEMS								
Investment return - National Headquarters	-	3,033,531	-	3,033,531	352,748	-	3,386,279	576,586
Investment return - branches	727,385	47,359	-	774,744	1,223,340	-	1,998,084	301,938
Other non-operating loss	-	-	-	-	-	-	-	(367)
Transfer of building and equipment purchases	(47,559)	-	47,559	-	-	-	-	-
Branch asset valuation adjustment	-	-	-	-	-	-	-	61,400
Change in Net Assets	<u>1,315,791</u>	<u>2,064,884</u>	<u>(157,159)</u>	<u>3,223,516</u>	<u>1,543,423</u>	<u>-</u>	<u>4,766,939</u>	<u>584,625</u>
NET ASSETS								
Beginning of year	4,153,964	11,975,986	3,860,825	19,990,775	2,715,335	2,871,381	25,577,491	24,992,866
End of year	<u>\$ 5,469,755</u>	<u>\$ 14,040,870</u>	<u>\$ 3,703,666</u>	<u>\$ 23,214,291</u>	<u>\$ 4,258,758</u>	<u>\$ 2,871,381</u>	<u>\$ 30,344,430</u>	<u>\$ 25,577,491</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, 2021 (with summarized totals for the year ended June 30, 2020)

	Program Services						Management and General		Fundraising	Total Expenses 2021	Total Expenses 2020
	Membership Services	Speakers and Conferences	Branch Services	Communications	Education	Branch Events and Meetings	Total Programs	General			
Salaries, payroll taxes and benefits	\$ 73,843	\$ -	\$ 174,060	\$ 95	\$ 432,931	\$ -	\$ 680,929	\$ 317,018	\$ 31,723	\$ 1,029,670	\$ 1,016,950
Professional and consulting fees	490	2,851	3,464	5,101	159,468	-	171,374	549,995	57,358	778,727	615,671
Scholarships and awards	1,869	-	92	-	220,500	-	222,461	581	1,549	224,591	275,793
Travel and meetings	-	-	49	-	459	-	508	4,678	41,787	46,973	121,846
Occupancy (utilities and maintenance)	-	-	840	12,246	1,779	-	14,865	121,972	780	137,617	138,866
In-kind rent	-	-	-	-	52,500	-	52,500	-	-	52,500	52,500
Branch events and meetings	-	-	-	-	-	123,370	123,370	-	-	123,370	348,893
Administrative and miscellaneous	16,205	1,660	2,576	2,067	1,001	-	23,509	24,476	23,845	71,830	199,512
Insurance and finance fees	-	-	4,134	-	750	-	4,884	56,152	777	61,813	86,607
Total Expenses Before Depreciation	<u>92,407</u>	<u>4,511</u>	<u>185,215</u>	<u>19,509</u>	<u>869,388</u>	<u>123,370</u>	<u>1,294,400</u>	<u>1,074,872</u>	<u>157,819</u>	<u>2,527,091</u>	<u>2,856,638</u>
Add: Depreciation and amortization	<u>8,079</u>	<u>399</u>	<u>16,199</u>	<u>1,710</u>	<u>76,010</u>	<u>-</u>	<u>102,397</u>	<u>102,321</u>	<u>-</u>	<u>204,718</u>	<u>205,106</u>
Total Expenses	<u>\$ 100,486</u>	<u>\$ 4,910</u>	<u>\$ 201,414</u>	<u>\$ 21,219</u>	<u>\$ 945,398</u>	<u>\$ 123,370</u>	<u>\$ 1,396,797</u>	<u>\$ 1,177,193</u>	<u>\$ 157,819</u>	<u>\$ 2,731,809</u>	<u>\$ 3,061,744</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Cash Flows
Year Ended June 30, 2021
(with comparative amounts for the year ended June 30, 2020)

	Year Ended	
	June 30	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,766,939	\$ 584,625
Adjustments to reconcile change in net assets to net cash from operating activities		
Branch asset valuation adjustment	-	(61,400)
Net realized and unrealized gain on investments	(5,709,367)	(1,341,164)
Depreciation and amortization	204,718	205,106
Forgiveness of paycheck protection program loan	(159,900)	-
Gain on write-off of capital lease payable	-	(13,213)
Changes in Operating Assets and Liabilities		
Accounts receivable	(198,978)	19,527
Promises to give receivable	-	750
Prepaid expenses and other assets	31,488	12,664
Accounts payable and accrued expenses	<u>131,940</u>	<u>(42,540)</u>
Total Adjustments	<u>(5,700,099)</u>	<u>(1,220,270)</u>
Net Cash From Operating Activities	<u>(933,160)</u>	<u>(635,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption/ (purchase) of certificates of deposit	(26,920)	(8,706)
Purchase of equipment and building improvements	(47,559)	(142,658)
Net proceeds from investments	<u>967,558</u>	<u>1,053,933</u>
Net Cash From Investing Activities	<u>893,079</u>	<u>902,569</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from paycheck protection program loan	187,912	159,900
Principal payments on capital lease	<u>(24,744)</u>	<u>(20,154)</u>
Net Cash From Financing Activities	<u>163,168</u>	<u>139,746</u>
 Increase in Cash and Cash Equivalents	 123,087	 406,670
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,869,499</u>	<u>1,462,829</u>
End of year	<u>\$ 1,992,586</u>	<u>\$ 1,869,499</u>
Non-Cash Investing and Financing Activities		
Purchase of equipment through lease agreement	<u>\$ -</u>	<u>\$ 98,976</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

Change in Accounting Principle

Revenue from Contracts with Customers

Effective July 1, 2020, ESU adopted ASU 2014-09, Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

Change in Accounting Principle (continued)

Revenue from Contracts with Customers (continued)

The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way ESU recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. When 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). The new guidance requires ESU to not recognize revenue until its collection is probable. Based on ESU's strong collection experience, ESU has concluded that all revenue recognized is probable of collection.

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.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

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.

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, 2021 and 2020.

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.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

Membership Dues

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

Gifts-in-Kind

Contributions of services and use of facilities are recognized at their fair value. Contributed services are recognized when they create or enhance nonfinancial assets or they require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The value of the contributed services and use of facilities recognized as revenue and expense in the consolidated statement of activities for each of the years ended June 30, 2021 and 2020 was \$52,500, all of which was allocated to program services.

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 are allocated based on the percentage of overall salary allocation or square footage, whichever is more appropriate.

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, 2018.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

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 July 28, 2022.

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 accounts and promises to give receivables. ESU places its cash and cash equivalents and investments in highly rated financial institutions. 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.

4. Promises to Give Receivable

All promises to give receivable are due to be collected within one year and are deemed to be fully collectible by management. Thus, no allowance has been provided for potential uncollectibility.

5. 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.

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

5. Investments and Investment Return *(continued)*

The following are the types of investments held by HQ at June 30, 2021 and 2020 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

<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	15,771,885	-	15,771,885
Total Investments at Fair Value	<u>\$ 15,771,885</u>	<u>\$ 98,350</u>	15,870,235
Temporary cash investment at cost			61,452
Total Investments			<u>\$ 15,931,687</u>
 <u>2020</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	\$ -	\$ 525,056	\$ 525,056
Equity securities	12,471,667	-	12,471,667
	<u>\$ 12,471,667</u>	<u>\$ 525,056</u>	12,996,723
Temporary cash investment at cost			177,067
Total Investments			<u>\$ 13,173,790</u>

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Notes to Consolidated Financial Statements
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5. Investments and Investment Return *(continued)*

The following are the types of investments held by the branches at June 30, 2021 and 2020 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

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	<u>1,820,378</u>	-	-	<u>1,820,378</u>
	7,679,338	288,592	-	7,967,930
Other				
Beneficial Interest in Trusts (I)	-	-	<u>480,692</u>	<u>480,692</u>
Total Investments at Fair Value	<u>\$ 7,679,338</u>	<u>\$ 288,592</u>	<u>\$ 480,692</u>	8,448,622
Temporary cash investment at cost				<u>159,074</u>
Total Investments				<u>\$ 8,607,696</u>

2020

Description	Level 1	Level 2	Level 3	Total
Investments at Fair Value by Level of Input				
Fixed income	\$ -	\$ 328,284	\$ -	\$ 328,284
Equity securities	4,558,082	-	-	4,558,082
Mutual funds	<u>1,072,555</u>	-	-	<u>1,072,555</u>
	5,630,637	328,284	-	5,958,921
Other				
Beneficial Interest in Trusts (I)	-	-	<u>382,285</u>	<u>382,285</u>
Total Investments at Fair Value	<u>\$ 5,630,637</u>	<u>\$ 328,284</u>	<u>\$ 382,285</u>	6,341,206
Temporary cash investment at cost				<u>282,578</u>
Total Investments				<u>\$ 6,623,784</u>

- (I) ESU maintains four beneficial interests in certain trusts administered by third parties. These trusts are valued at \$480,692 and \$382,285 at June 30, 2021 and 2020. As this trust is controlled and invested by an independent third party, ESU records a beneficial interest for its ratable share of the assets based on the fair value of the 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.

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

5. 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 2021 and 2020:

	<u>Beneficial Interests in Trusts</u>
Balance, July 1, 2019	\$ 394,360
Interest and dividends	9,875
Distributions	(26,354)
Fees and expenses	(2,515)
Unrealized gains	<u>6,919</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	<u><u>\$ 480,692</u></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, 2021 and 2020.

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

5. 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, 2021 and 2020:

2021

	Board Designated	With Donor Restrictions	Total
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	3,033,531	352,748	3,386,279
	<u>\$ 3,582,900</u>	<u>\$ 407,301</u>	<u>\$ 3,990,201</u>

2020

	Board Designated	With Donor Restrictions	Total
Dividends and interest	\$ 210,356	\$ 22,028	\$ 232,384
Unrealized appreciation	518,153	54,259	572,412
Realized gain on investment sales	442,613	46,348	488,961
Custody and advisory fees	(63,128)	(6,610)	(69,738)
Total Investment Return	<u>\$ 1,107,994</u>	<u>\$ 116,025</u>	<u>\$ 1,224,019</u>
Allocated to operations:			
General operations	\$ 470,726	\$ -	\$ 470,726
Speaker and member services	6,361	-	6,361
Education	108,836	23,512	132,348
Book services	-	37,998	37,998
Total Allocated to Operations	585,923	61,510	647,433
Allocated to Non-operating Activities	522,071	54,515	576,586
	<u>\$ 1,107,994</u>	<u>\$ 116,025</u>	<u>\$ 1,224,019</u>

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

5. 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, 2021 and 2020:

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	<u>\$ 774,744</u>	<u>\$ 1,272,863</u>	<u>\$ 2,047,607</u>
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
	<u>\$ 774,744</u>	<u>\$ 1,272,863</u>	<u>\$ 2,047,607</u>

2020

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 82,376	\$ 93,959	\$ 176,335
Unrealized appreciation	54,550	212,897	267,447
Realized gain on investment sales	7,174	5,207	12,381
Custody and advisory fees	(10,633)	(23,518)	(34,151)
Total Investment Return	<u>\$ 133,467</u>	<u>\$ 288,545</u>	<u>\$ 422,012</u>
Allocated to operations:			
Education	\$ -	\$ 120,074	\$ 120,074
Total Allocated to Operations	-	120,074	120,074
Allocated to Non-operating Activities	133,467	168,471	301,938
	<u>\$ 133,467</u>	<u>\$ 288,545</u>	<u>\$ 422,012</u>

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

5. Investments and Investment Return *(continued)*

The following is a reconciliation of the HQ investment activity for fiscal years 2021 and 2020 in the donor restricted and board designated funds:

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated	Purpose Restricted	Perpetual in Nature	
Balance, July 1, 2019	\$ 11,556,865	\$ 718,497	\$ 685,286	\$ 12,960,648
Contributions	32,833	4,990	-	37,823
Interest and dividends	210,356	22,028	-	232,384
Unrealized appreciation	518,153	54,259	-	572,412
Realized appreciation	442,613	46,348	-	488,961
Transfers to operations	(407,938)	(103,878)	-	(511,816)
Transfers from operations	174,506	-	-	174,506
Custody fees	(63,128)	(6,610)	-	(69,738)
Transfer of donated stock proceeds	(26,445)	-	-	(26,445)
Appropriation for expenditure	(636,938)	(71,046)	-	(707,984)
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	(1,016,024)	(9,069)	-	(1,025,093)
Balance, June 30, 2021	<u>\$ 13,827,226</u>	<u>\$ 1,062,820</u>	<u>\$ 685,286</u>	<u>\$ 15,575,332</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 1,062,820	\$ 685,286	\$ 1,748,106
Board designated funds	13,827,226	-	-	13,827,226
Total Funds	<u>\$ 13,827,226</u>	<u>\$ 1,062,820</u>	<u>\$ 685,286</u>	<u>\$ 15,575,332</u>

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

5. Investments and Investment Return *(continued)*

The following is a reconciliation of the branches investment activity for fiscal years 2021 and 2020 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, 2019	\$ 170,584	\$ 1,659,420	\$ 2,185,571	\$ 4,015,575
Interest and dividends	4,211	93,959	-	98,170
Unrealized appreciation	9,543	212,897	-	222,440
Realized appreciation	233	5,207	-	5,440
Custody fees	(1,054)	(23,518)	-	(24,572)
Transfer to operations	(8,408)	-	-	(8,408)
Appropriation for expenditure	-	(120,074)	-	(120,074)
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	<u>\$ 213,644</u>	<u>\$ 3,051,231</u>	<u>\$ 2,185,571</u>	<u>\$ 5,450,446</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 3,051,231	\$ 2,185,571	\$ 5,236,802
Board designated funds	213,644	-	-	213,644
Total Funds	<u>\$ 213,644</u>	<u>\$ 3,051,231</u>	<u>\$ 2,185,571</u>	<u>\$ 5,450,446</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.

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

6. 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, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 1,992,586	\$ 1,869,499
Certificates of deposit	335,626	308,706
Investments, at fair value	24,539,383	19,797,574
Accounts receivable	261,383	62,405
Less: donor restricted net assets	(7,130,139)	(5,586,716)
Add: time or purpose restrictions expected to be released	503,328	215,961
Less: Board designated net assets	(14,040,870)	(11,975,986)
Add: Estimated Board designated investment spend rate allocation to operations	704,015	675,000
Less: Investments in beneficial interests in perpetual trusts	(480,692)	(382,285)
Total Available for General Expenditure	\$ 6,684,620	\$ 4,984,158

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.

7. Headquarters' Building and Office Equipment

Building and office equipment at June 30, 2021 and 2020 consisted of the following:

	June 30	
	2021	2020
Land	\$ 930,900	\$ 930,900
Building and improvements	4,701,078	4,667,478
	5,631,978	5,598,378
Less accumulated depreciation	1,995,843	1,817,971
	\$ 3,636,135	\$ 3,780,407
Office equipment	\$ 112,933	\$ 98,976
Less accumulated depreciation	45,402	18,558
	\$ 67,531	\$ 80,418

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Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

Depreciation expense for the years ended June 30, 2021 and 2020 in the amount of \$204,718 and \$205,106 has been allocated to various programs \$102,397 and \$102,785 for 2021 and 2020) and supporting services (\$102,321 and \$102,321 for 2021 and 2020) based on management's estimate of the benefit. Office equipment includes an asset held under a capital lease totaling \$98,976 (\$98,976 – 2020) and related accumulated depreciation of \$24,744 at June 30, 2021 (\$18,558 – 2020).

8. 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"). Although management believes ESU has met all conditions under the PPP loan 2 requirements at June 30, 2021, income from the forgiveness of the PPP loan 2 will not be recognized until ESU receives notification of forgiveness from the Small Business Administration in accordance with Accounting Standards Codification ("ASC") 470 Debt.

9. 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>	
2022	\$ 24,744
2023	24,744
2024	<u>6,186</u>
	<u>\$ 55,674</u>

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Notes to Consolidated Financial Statements
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10. Net Assets With Donor Restrictions – Time and Purpose Restricted

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

	<u>2021</u>	<u>2020</u>
Earning on endowment funds (timing)	\$ 4,114,051	\$ 2,492,479
ARNIC	137,812	215,961
Scholarships	<u>6,895</u>	<u>6,895</u>
	<u>\$ 4,258,758</u>	<u>\$ 2,715,335</u>

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>2021</u>	<u>2020</u>
Earning on endowment funds (timing)	\$ 57,991	\$ 191,120
ARNIC	280,555	291,155
Scholarships	<u>-</u>	<u>71,046</u>
	<u>\$ 338,546</u>	<u>\$ 553,321</u>

11. Net Assets With Donor Restrictions – Perpetual in Nature

Net assets of \$2,871,381 at June 30, 2021 and 2020 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.

12. 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 \$23,834 and \$24,461 for the years ended June 30, 2021 and 2020.

13. Risks and Uncertainties

In March 2020, a novel strain of COVID-19 was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the U.S. and global economies, disrupted global supply chains and financial markets, led to significant travel and transportation restrictions, including mandatory business closures and orders to shelter in place. The COVID-19 pandemic remains fluid and the extent of the impact may adversely affect business, however management is unable to predict the extent or nature of these impacts at this time.

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Notes to Consolidated Financial Statements June 30, 2021 and 2020

14. Reclassification

In 2021, ESU reclassified certain amounts to properly reflect board designated net assets and donor restricted net assets in accordance with the donor's original intent. The adjustments from the reclassification were:

The adjustment as of June 30, 2020 is as follows:

	Without Donor Restrictions		With Donor Restrictions	
	Undesignated	Board Designated	Time and Purpose Restricted	Perpetual in Nature
Balance as of June 30, 2020, as previously reported	\$ 4,021,945	\$ 12,139,861	\$ 2,847,354	\$ 2,707,506
Adjustment for the reclassification of net assets	<u>132,019</u>	<u>(163,875)</u>	<u>(132,019)</u>	<u>163,875</u>
Balance as of June 30, 2020, as restated	<u>\$ 4,153,964</u>	<u>\$ 11,975,986</u>	<u>\$ 2,715,335</u>	<u>\$ 2,871,381</u>

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