

**Consolidated Financial Statements and Report of
Independent Certified Public Accountants**

World Learning, Inc.

June 30, 2013 and 2012

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Grant Thornton LLP
75 State Street, 13th Floor
Boston, MA 02109-1827
T 617.723.7900
F 617.723.3640
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
World Learning, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of World Learning, Inc. and subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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 Organization'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 Organization'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 financial position of World Learning, Inc. and subsidiaries as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note C, the 2012 consolidated financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Grant Thornton LLP

Boston, Massachusetts

November 15, 2013

WORLD LEARNING, INC.
Consolidated Statements of Financial Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u> (as restated)
ASSETS		
Cash and cash equivalents	\$ 3,378,641	\$ 3,082,263
Accounts and notes receivable, net	5,026,933	6,070,697
Contributions receivable, net	694,152	798,408
Prepaid expenses and other assets	4,512,320	5,140,079
Investments	45,072,618	43,126,382
Property, plant and equipment, net	<u>7,997,216</u>	<u>6,666,591</u>
Total assets	<u>\$ 66,681,880</u>	<u>\$ 64,884,420</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,378,172	\$ 2,733,444
Advance payments and deferred revenue	5,985,708	6,482,259
Borrowings under line of credit	3,895,372	2,355,570
Notes payable	206,944	501,144
Capital lease obligations	227,350	224,119
Federal loan program advances	<u>878,072</u>	<u>878,072</u>
Total liabilities	<u>14,571,618</u>	<u>13,174,608</u>
Commitments and contingencies (Notes L and P)		
NET ASSETS		
Unrestricted	10,061,969	12,082,893
Temporarily restricted	11,587,689	9,144,431
Permanently restricted	<u>30,460,604</u>	<u>30,482,488</u>
Total net assets	<u>52,110,262</u>	<u>51,709,812</u>
Total liabilities and net assets	<u>\$ 66,681,880</u>	<u>\$ 64,884,420</u>

The accompanying notes are an integral part of these financial statements.

WORLD LEARNING, INC.

Consolidated Statement of Activities

Year Ended June 30, 2013

(With summarized information for the year ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
REVENUES AND OTHER SUPPORT:					
Operating revenue:					
Tuition and program fees	\$ 54,861,326	\$ -	\$ -	\$ 54,861,326	\$ 58,174,944
Less scholarships	(5,464,510)	-	-	(5,464,510)	(4,580,485)
Net tuition and program fees	49,396,816	-	-	49,396,816	53,594,459
Grants and contracts:					
Federal government grants and contracts	61,273,076	-	-	61,273,076	72,136,170
Other grants and contracts	1,260,514	-	-	1,260,514	489,240
Investment income availed under spending policy	254,181	1,952,870	-	2,207,051	2,027,498
Contributions	1,167,989	1,845,390	-	3,013,379	2,868,096
Auxiliary services	878,644	-	-	878,644	949,392
Other revenue	424,815	-	-	424,815	591,032
Net assets released from restrictions	4,521,327	(4,455,662)	(65,665)	-	-
Total operating revenues and other support	119,177,362	(657,402)	(65,665)	118,454,295	132,655,887
EXPENSES:					
Operating expense:					
Education and general:					
Program and instruction	37,082,697	-	-	37,082,697	37,022,397
Program support	3,655,705	-	-	3,655,705	3,653,499
Student services	1,537,158	-	-	1,537,158	1,421,709
Grants and contracts:					
Federal government grants and contracts	61,273,076	-	-	61,273,076	72,136,170
Other grants and contracts	1,483,852	-	-	1,483,852	528,479
Auxiliary services	1,120,877	-	-	1,120,877	1,048,875
General support	14,893,243	-	-	14,893,243	12,800,179
Operations reengineering (Note Q)	-	-	-	-	2,178,098
Interest on indebtedness	34,199	-	-	34,199	58,557
Other	61,365	-	-	61,365	9,630
Total operating expense	121,142,172	-	-	121,142,172	130,857,593
Change in net assets from operations	(1,964,810)	(657,402)	(65,665)	(2,687,877)	1,798,294
NON-OPERATING REVENUE (EXPENSE):					
Total realized and unrealized investment return, net of income availed	(71,906)	1,664,427	-	1,592,521	(4,470,364)
Contributions, including capital gifts	-	1,436,233	43,781	1,480,014	131,302
(Losses) gains from sale and disposal of property	(202,192)	-	-	(202,192)	109,414
Gains (losses) from foreign currency transactions and forward currency contracts	200,549	-	-	200,549	(1,294,794)
Other non-operating revenues (expenses)	17,435	-	-	17,435	(39,387)
Total non-operating revenue (expense)	(56,114)	3,100,660	43,781	3,088,327	(5,563,829)
CHANGE IN NET ASSETS	(2,020,924)	2,443,258	(21,884)	400,450	(3,765,535)
NET ASSETS - Beginning of year, as restated (Note C)	12,082,893	9,144,431	30,482,488	51,709,812	55,475,347
NET ASSETS - End of year	\$ 10,061,969	\$ 11,587,689	\$ 30,460,604	\$ 52,110,262	\$ 51,709,812

The accompanying notes are an integral part of these financial statements.

WORLD LEARNING, INC.
Consolidated Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Operating revenue:				
Tuition and program fees	\$ 58,174,944	\$ -	\$ -	\$ 58,174,944
Less scholarships	(4,580,485)	-	-	(4,580,485)
Net tuition and program fees	53,594,459	-	-	53,594,459
Grants and contracts:				
Federal government grants and contracts	72,136,170	-	-	72,136,170
Other public grants	271,470	-	-	271,470
Private grants	217,770	-	-	217,770
Investment income availed under spending policy	232,068	1,795,430	-	2,027,498
Contributions	977,096	1,891,000	-	2,868,096
Auxiliary services	949,392	-	-	949,392
Other revenue	591,032	-	-	591,032
Net assets released from restrictions	3,600,301	(3,600,301)	-	-
Total operating revenues and other support	132,569,758	86,129	-	132,655,887
EXPENSES:				
Operating expense:				
Education and general:				
Program and instruction	37,022,397	-	-	37,022,397
Program support	3,653,499	-	-	3,653,499
Student services	1,421,709	-	-	1,421,709
Grants and contracts:				
Federal government grants and contracts	72,136,170	-	-	72,136,170
Other grants and contracts	528,479	-	-	528,479
Auxiliary services	1,048,875	-	-	1,048,875
General support	12,800,179	-	-	12,800,179
Operations reengineering (Note Q)	2,178,098	-	-	2,178,098
Interest on indebtedness	58,557	-	-	58,557
Other	9,630	-	-	9,630
Total operating expense	130,857,593	-	-	130,857,593
Change in net assets from operations	1,712,165	86,129	-	1,798,294
NON-OPERATING REVENUE (EXPENSE):				
Total realized and unrealized investment return, net of income availed	(583,091)	(3,887,273)	-	(4,470,364)
Contributions	-	-	131,302	131,302
Gain from sale of property	109,414	-	-	109,414
(Losses) gains from foreign currency transactions and forward currency contracts	(1,294,794)	-	-	(1,294,794)
Other non-operating revenues (expenses)	613	(40,000)	-	(39,387)
Total non-operating revenue (expense)	(1,767,858)	(3,927,273)	131,302	(5,563,829)
CHANGE IN NET ASSETS	(55,693)	(3,841,144)	131,302	(3,765,535)
NET ASSETS - Beginning of year:	10,280,159	14,844,002	30,351,186	55,475,347
Restatement (Note C)	1,858,427	(1,858,427)	-	-
NET ASSETS - Beginning of year, as restated	12,138,586	12,985,575	30,351,186	55,475,347
NET ASSETS - End of year	\$ 12,082,893	\$ 9,144,431	\$ 30,482,488	\$ 51,709,812

The accompanying notes are an integral part of these financial statements.

WORLD LEARNING, INC.
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 400,450	\$ (3,765,535)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,361,117	1,397,244
Provision (credit) for uncollectible pledges and other accounts	30,030	(62,033)
Net unrealized and realized (gains) losses on investments	(3,799,573)	2,442,865
Contributions restricted for long-term investments	(43,780)	(131,302)
Capital gift contributions	(1,436,233)	-
Losses (gains) from sale and disposal of property	202,192	(109,414)
Decrease in prepaid expenses and other assets	627,759	488,488
Decrease in accounts and other receivables	1,043,764	986,562
Decrease in contributions receivable	74,226	467,737
Increase in accounts payable and accrued expenses	899,262	866,281
Decrease in advance payments and deferred revenue	(751,085)	(3,219,190)
Net cash used in operating activities	<u>(1,391,871)</u>	<u>(638,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,129,731)	(802,729)
Proceeds from sale of property	-	345,671
Purchases of investments	(5,261,868)	(8,307,676)
Proceeds from sale of investments	6,913,015	9,389,248
Loans granted	(198,390)	(179,903)
Loans repaid	198,390	179,903
Net cash provided by investing activities	<u>521,416</u>	<u>624,514</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term investments	43,780	131,302
Net payments on line of credit	1,539,802	(2,062,875)
Payments on notes payable	(294,200)	(312,479)
Payments on capital lease obligations	(122,549)	(99,079)
Net cash provided by (used in) financing activities	<u>1,166,833</u>	<u>(2,343,131)</u>
Net increase (decrease) in cash and cash equivalents	296,378	(2,356,914)
Cash and cash equivalents - beginning of year	<u>3,082,263</u>	<u>5,439,177</u>
Cash and cash equivalents - end of year	<u>\$ 3,378,641</u>	<u>\$ 3,082,263</u>
Supplemental Disclosure		
Cash paid for interest	\$ 34,199	\$ 58,557
Purchases of property and equipment financed by capital leases	\$ 125,780	\$ 141,143

The accompanying notes are an integral part of these financial statements.

NOTE A - ORGANIZATION

World Learning, Inc. (“World Learning” or the “Organization”), founded in 1932, is a private, nonprofit organization working to foster global citizenship through education, training, and field projects in over 60 countries. Educational initiatives provide knowledge and skills, and create personal connections to bridge cultural differences. Locally driven international development projects build the foundations of citizen participation in under-represented communities around the world. Connecting people through experiential learning and opportunities to practice what the Organization teaches, World Learning has created a global network of more than 100,000 students and alumni, faculty, staff, and in-country partners working together to inspire and lead effective social change.

Headquartered in Brattleboro, Vermont, USA, World Learning accomplishes its goals through five divisions operating its programs in numerous countries through locally organized legal entities. The Experiment in International Living offers short-term summer exchange programs for high school students. SIT Graduate Institute (formerly known as The School for International Training), accredited by the New England Association of Schools and Colleges, provides graduate degrees and professional programs in international and intercultural education including sustainable development, conflict transformation, and social justice. SIT Study Abroad (“SSA”) offers undergraduate study abroad in more than 30 countries. International Honors Program (“IHP”) offers theme-based, multi-country study abroad programs that explore a range of themes through an innovative comparative approach. Washington, D.C.-based International Development and Exchange Programs specializes in grassroots programs, mostly Federally funded, to build local capabilities through development, training, and exchange projects in more than 20 countries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding World Learning’s financial statements.

Principles of Consolidation

The accompanying financial statements include the accounts of World Learning and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net assets and revenues, expenses, gains and losses are classified into one of three categories based on the existence or absence of donor-imposed restrictions. These categories are permanently restricted, temporarily restricted and unrestricted net assets.

Unrestricted net assets generally result from contributions or other inflows of assets whose use is not limited by donor-imposed stipulations. Net assets, which the Board of Trustees has designated be set aside for a specific purpose (quasi-endowment, or board-designated), are classified as unrestricted net assets. Board designated net assets amount to \$5,265,024 and \$4,954,258 at June 30, 2013 and 2012, respectively.

WORLD LEARNING, INC.

Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Temporarily restricted net assets generally result from contributions and other inflows of assets whose use is limited by law or donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of World Learning pursuant to those stipulations.

Permanently restricted net assets generally represent the historical cost (fair value at date of gift) of contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by World Learning.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications ("net assets released from restrictions") between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the reporting period in which they are received are classified as unrestricted support in the statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period notified. Promises to give that will be received in future periods, or which are restricted by the donor to a specific purpose that has not been met as of the end of the fiscal year, are shown as either increases in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. Temporarily restricted revenue is reclassified ("released") to unrestricted net assets when the time or purpose restrictions are met.

Bequests are reported as operating revenue in the period in which the Organization has an irrevocable right to the gift, which generally occurs once the will has cleared probate and the amount of the bequest is estimable.

Operations

The statement of activities reports the change in net assets from operating and non-operating activities. Operating activities consist of those items attributable to World Learning's programs. Income earned on World Learning's endowment investments is reported as operating revenue availed by applying a spending rate (5% in fiscal 2013 and 2012) to the trailing twelve quarter average fair value of the investments as of March 31 of the prior fiscal year. Realized and unrealized gains and losses are reported as non-operating revenue.

WORLD LEARNING, INC.

Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

World Learning is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been recognized by the Internal Revenue Service as an organization generally exempt from income taxes on related income pursuant to Section 501(a) of the Code. World Learning is also classified as a school under Sections 509(a) (1) and 170(b) (1) (A) (ii) of the Internal Revenue Code.

Certain of World Learning's foreign subsidiaries are organized as taxable entities. Income taxes attributable to the operations of these entities are determined by applying the asset and liability method.

World Learning follows Accounting Standards Codification ("ASC") 740 "Accounting for Uncertainty in Income Taxes" formerly FIN 48). ASC 740 sets forth a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, along with guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

World Learning recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. It is the Organization's policy to record estimated interest and penalties, if any, as part of general support expense. Management believes that its U.S.-based income tax filings for fiscal years ended June 30, 2007 and prior are no longer subject to examination by federal and state taxing authorities.

Management has concluded that it has no material unrecognized tax benefits or liabilities related to uncertain tax positions at June 30, 2013 and 2012.

Cash and Cash Equivalents

Investments with maturities of three months or less at the time of purchase are classified as cash equivalents. The cost of the cash equivalents, which consist of bank certificates of deposit and institutional money market funds, approximates fair value. Cash is deposited in several banking institutions; at times, cash held in a single institution may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts.

Cash and cash equivalents held by investment managers are classified with investments (see Note F).

Included in cash and cash equivalents at June 30, 2013 and 2012 are \$1,833,718 and \$1,590,599, respectively, of funds held in foreign bank accounts.

Accounts, Notes and Contributions Receivable

Accounts, notes and contributions receivable are stated at their estimated net realizable value. An allowance for uncollectible accounts is provided for those receivables which are considered to be uncollectible based on historical experience and management's evaluation of the likelihood of payment. Accounts are written off after all reasonable collection efforts have been attempted.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are stated at fair value. The fair value of investments is based on quoted market prices, except for certain investments, principally held by limited partnerships in which World Learning invests, for which quoted market prices are not available. The estimated fair value of World Learning's investment in limited partnerships is based upon fair value information provided by the investment manager which management of World Learning believes is reasonably stated.

Split-Interest Agreements

Charitable Gift Annuities

World Learning is a party to several charitable gift annuity agreements whereby the donor contributes assets in exchange for distributions over a period of time. Charitable gift annuities are recognized in the period in which the contract is executed. The difference between the fair value of the assets received and the estimated liability for future distributions is recognized as contribution revenue. The estimated liability related to charitable gift annuities was \$81,666 and \$95,459 at June 30, 2013 and 2012, respectively, and is classified within accounts payable and accrued expenses in the statement of financial position.

Pooled Life Income Funds

World Learning is the beneficiary of a pooled life income fund for two donors where the respective assets are controlled and invested by World Learning. World Learning recognizes its estimated remainder interest in the assets as temporarily restricted contribution revenue in the period in which the assets are received.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of amounts paid for programs to be offered in the subsequent fiscal year. Included in prepaid expenses at June 30, 2013 and 2012 are \$2,848,569 and \$3,462,212, respectively, representing advance payments for airfare, program services and other costs related to education-based summer programs.

Property, Plant and Equipment

Property, plant and equipment are stated at cost at the date of acquisition or at fair value at the date of donation in the case of gifts. Depreciation on property, plant and equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Lives</u>
Land improvements	20 - 40 years
Building and building improvements	7 - 40 years
Furniture and equipment	3 - 20 years
Motor vehicles	5 years
Leasehold improvements	Shorter of useful life or lease period

WORLD LEARNING, INC.

Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenditures for repairs and maintenance are charged to operating expenses as incurred; betterments that materially extend the life of the assets are capitalized. Capital assets are removed from the accounts at the time of disposal, and the resulting gain or loss is included in non-operating revenues and expenses in the statement of activities.

Foreign Currency Transactions and Forward Currency Contracts

World Learning enters into forward currency contracts to hedge the risk of currency fluctuations on the anticipated costs of its overseas programs scheduled to run over the next one to nine months. This hedging reduces the effect of foreign exchange rate movements on World Learning's change in net assets because gains and losses on these contracts partially offset foreign exchange transaction and translation gains and losses on future program transactions. As a matter of policy, World Learning does not engage in currency speculation.

Forward currency contracts are accounted for as derivative instruments and stated at fair value with gains and losses included in non-operating revenues and expenses in the statement of activities. Fair values of open contracts are included either in other assets or accrued expenses in the statement of financial position.

Advance Payments and Deferred Revenue

Advance payments and deferred revenue represent tuition, fees and other receipts which are applicable to programs to be held in future fiscal years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates include the allowance for uncollectible accounts, economic useful lives of buildings and equipment, fair values of investments and derivatives, beneficial interests in split-interest agreements and present values of annuity payment liabilities. Actual results could differ from those estimates.

Contracts and Grants

Federal government grants and contracts normally provide for the recovery of allowable direct costs and indirect costs based on rates negotiated with the Federal government. World Learning recognizes revenue associated with direct and indirect costs as the related costs are incurred. For financial reporting purposes, all billable direct and indirect costs on Federal government grants and billable contracts are classified together in grants and contracts expenses. Indirect program costs in excess of negotiated billable amounts are classified within program support in the statement of activities.

The Organization is eligible to seek reimbursement of indirect costs incurred in excess of amounts that are billable by contract. The Organization's right to bill additional indirect costs is subject to funding considerations which are determined separately for each contract. As a result of the uncertainty of the amount, if any, to be billed for such costs, no receivable was recognized at June 30, 2013 and 2012.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Auxiliary Services

Auxiliary services revenue and expense include residence halls at the Brattleboro campus, dining halls, and other undertakings which provide services primarily to students, faculty and staff where such revenues and expenses are separately billed. Auxiliary services revenues and related expenses are reported as changes in unrestricted net assets from operations.

Federal Student Loan Funds

These amounts include funds advanced under the Federal Perkins Loan Program. Such funds may be re-loaned after collection. In the event that World Learning no longer participates in the Program, the amounts are generally refundable to the Federal government.

Fundraising Expenses

Fundraising costs of \$1,854,046 and \$1,142,133 for the years ended June 30, 2013 and 2012, respectively, are included in general support in the statement of activities. Fundraising costs for fiscal 2013 include costs for new events and initiatives which were offset by event fees and/or from donor-directed contributions.

Functional Expense Allocation

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Costs have been allocated among the programs and supporting services based on an estimate of the relative effort expended for the related functions.

Gifts-in-Kind

Gifts-in-kind are generally defined as non-cash donations. Examples of such gifts received include equipment and software. Donated materials and equipment are recorded at the lower of either their estimated values at date of receipt or the prevailing discounted pricing for educational institutions. During the year ended June 30, 2013, World Learning received a donation of software and technology from Microsoft valued at \$1,436,233

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the presentation used in 2013.

Subsequent Events

World Learning has evaluated events and transactions for potential recognition or disclosure through November 15, 2013, which was the date these financial statements were available to be issued.

WORLD LEARNING, INC.Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012**NOTE C - RESTATEMENT**

During fiscal 2013, the Organization identified a net asset classification error affecting the 2012 financial statements as previously presented. Management established a multi-disciplinary staff committee to comprehensively review all temporarily and permanently restricted funds to ensure appropriate stewardship of these funds. In the course of their work, the committee discovered documentation that indicated that certain gifts had been classified to the incorrect net asset category when they were received. Accordingly, a \$1,858,427 reclassification adjustment from temporarily restricted net assets to unrestricted net assets is presented in the accompanying statement of activities as of July 1, 2011 to correct this item. There was no effect on the change in net assets for the year ended June 30, 2013 or 2012.

NOTE D - ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable at June 30, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Federal government	\$ 3,831,788	\$ 4,795,130
Student loans	1,105,412	1,025,558
Programs and students	210,816	294,222
Other funding agencies	68,917	91,777
Allowance for uncollectible accounts	<u>(190,000)</u>	<u>(135,990)</u>
	<u>\$ 5,026,933</u>	<u>\$ 6,070,697</u>

Included in Federal government contracts are receivables from third parties for whom World Learning is a subcontractor or sub-grantee. The total receivables from third parties included in Federal government contracts receivable was \$62,225 and \$652,699 as of June 30, 2013 and 2012, respectively.

World Learning makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs and institutional resources. At June 30, student loans consist of the following:

	<u>2013</u>	<u>2012</u>
Federal government	\$ 889,710	\$ 817,124
Institutional	215,702	208,434
	<u>1,105,412</u>	<u>1,025,558</u>
Allowance for uncollectible accounts	<u>(40,000)</u>	<u>(29,990)</u>
Student loans receivable, net	<u>\$ 1,065,412</u>	<u>\$ 995,568</u>

WORLD LEARNING, INC.Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012**NOTE D - ACCOUNTS AND NOTES RECEIVABLE - Continued**

World Learning participates in the Federal Perkins Loan program. The availability of funds (annually) for new loans under this revolving loan program is dependent on both 1) reimbursements to the pool from repayments on outstanding loans, and 2) outstanding loans cancelled, either from loan recipients meeting qualified career service accomplishments, or from loan default. Funds advanced by the Federal government of approximately \$878,000 at both June 30, 2013 and 2012, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position.

At June 30, 2013 and 2012, the following amounts were past due under student loan programs:

	<u>1-60 days past due</u>	<u>60-90 days past due</u>	<u>90+ days past due</u>	<u>Total past due</u>
2013	\$ 4,523	\$ -	\$ 156,126	\$ 160,649
2012	\$ 3,097	\$ -	\$ 163,630	\$ 166,727

Allowances for uncollectible accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

NOTE E - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Amounts:		
Due within one year	\$ 632,662	\$ 288,278
Due within two to three years	<u>141,490</u>	<u>566,130</u>
	774,152	854,408
Less:		
Unamortized discount	(4,651)	(11,493)
Allowance for uncollectible pledges	<u>(75,349)</u>	<u>(44,507)</u>
	<u>\$ 694,152</u>	<u>\$ 798,408</u>

The discount rates used to state contributions receivable at their fair value range from 2.9% to 5.7% at June 30, 2013.

The allowance for uncollectible pledges is based upon historical experience and management's assessment of the potential impact from current economic conditions, and other factors, on pledge collectability. All open pledges, excluding those to the annual fund, are reviewed individually to assess the likelihood of collection.

NOTE F - INVESTMENTS

The fair value of investments at June 30, 2013 and 2012 is summarized as follows:

	<u>2013</u>	<u>2012</u>
Cash equivalents	\$ 2,053,871	\$ 6,849,297
Fixed income strategies	5,955,022	6,274,705
Equity strategies	20,897,862	13,058,787
Balanced (fixed income and equity) strategies	4,940,883	4,772,670
Alternative strategies:		
Commodities funds	1,118,046	1,471,937
Hedge funds	6,974,749	7,772,117
Private equity funds	2,321,139	2,106,257
Real estate funds	811,046	820,612
Total alternative strategies	<u>11,224,980</u>	<u>12,170,923</u>
	<u>\$ 45,072,618</u>	<u>\$ 43,126,382</u>

World Learning categorizes its investments as follows:

Fixed Income

Fixed income investments, both core and global, include cash, cash equivalents, and direct and indirect investments in bonds and other income securities. The purposes of these fixed income allocations are to provide a deflation hedge and to reduce the overall volatility of the portfolio through additional diversification. Investments in cash and cash equivalents are also intended to preserve liquid capital for future investment or other cash needs of World Learning. Cash equivalents must carry an S&P rating of at least A1 or an equivalent rating.

Equity Strategies

Domestic equity investments include direct and indirect investments in equity securities of U.S. companies of all sizes. The purpose of the equity allocation is to provide a total return that will provide growth in principal and, to a lesser extent, current income.

International equity investments include direct and indirect investments in equity securities of companies located in developed, emerging and frontier market countries outside the U.S. In addition to sharing the purpose of the domestic equity allocation, international equity investments allow exposure to countries that may be growing faster than the United States.

NOTE F – INVESTMENTS - Continued

Balanced Strategies

Balanced strategy portfolios are constructed using domestic and international/emerging equities and global fixed income securities. Balanced strategy managers are allowed to tactically allocate to undervalued asset classes, sectors, or countries and may be allowed to use derivatives as a way of obtaining a desired long or short market exposure through over-the-counter and exchange traded derivatives securities.

Commodities Funds

Commodities investments are designed to benefit from and provide a hedge against rising and high inflation. Further, they are also designed to yield an inflation adjusted “real return”. In addition, due to their counter-cyclical nature and relatively low correlation to broad markets, commodities investments provide diversification to the entire portfolio with exposure to energy, agriculture, livestock and precious metals through the use of derivatives.

Hedge Funds

Hedged equity investments include direct investments in limited partnerships using marketable or semi-marketable strategies such as long/short equity or event-driven strategies. These investments have exposure to both long and short positions in a wide range of underlying investments focusing on public and private equity.

Private Equity Funds

Private equity investments include investments in limited partnerships that invest in equity or debt securities that are not publicly traded, in the equity of start-up companies, or in companies embarking on new ventures or restructuring/turnaround plans.

Real Estate Funds

Real estate funds may include investments in limited partnerships and/or in commingled vehicles. The real estate funds manager is expected to utilize prudent underwriting criteria taking into consideration such items as market analysis, physical condition of the properties and tenancy.

NOTE F - INVESTMENTS - Continued

Investment Return

A summary of World Learning's return on investments, net of investment management fees of \$363,015 in 2013 and \$329,015 in 2012, is presented below:

	<u>2013</u>	<u>2012</u>
Dividends and interest income, net	\$ 393,331	\$ 179,755
Net realized gains (losses) on sales of investments	837,611	(2,495,993)
Net unrealized gains (losses) on investments	<u>2,568,630</u>	<u>(126,628)</u>
Total investment return	<u>3,799,572</u>	<u>(2,442,866)</u>
Availed to operations under spending policy	<u>(2,207,051)</u>	<u>(2,027,498)</u>
	<u>\$ 1,592,521</u>	<u>\$ (4,470,364)</u>

NOTE F - FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. World Learning classifies its assets and liabilities accounted for at fair value based on the following valuation techniques:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly;

Level 3 - Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement date.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The methods used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

WORLD LEARNING, INC.

Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012

NOTE G - FAIR VALUE MEASUREMENTS - Continued

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy:

Investments

Investments where values are based on quoted market prices in active markets are classified as Level 1. These investments are primarily money market funds and mutual funds. Investments where values are based on quoted prices for similar assets in active markets, on quoted prices for identical or similar assets in markets that are not active, or on inputs that are derived principally from or corroborated by observable market data are classified as Level 2. These investments include certain common trusts and alternative marketable investments. Other investment strategies are considered Level 3 if observable inputs do not exist and management is required to estimate fair value.

Alternative Investments

The Organization's alternative investments consist of private equity and hedge funds as well as real estate and commodities funds considered alternative strategies, valued using current estimates of fair value obtained from the investment managers, in the absence of publicly quoted market prices. Alternative investments containing private equity holdings generally reflect discounts for liquidity and consider variables such as earnings multiples, cash flow projections, recent equity sales prices, and other pertinent information in estimating fair values. The estimated fair value of alternative investments is based on the most recent valuations provided by the external investment managers. Because of inherent uncertainties in the valuation process, the investment manager's estimate may differ from the values that would have been used had a ready market existed. World Learning management is responsible for the fair measurement of investments reported in the financial statements and has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values in the statement of financial position are reasonable.

Contributions Receivable

Contributions receivable are valued at fair value on a non-recurring basis. Multi-year pledges are recorded at the present value of future cash flows using a discount rate adjusted for market conditions to arrive at fair value, which is considered to be a Level 3 input.

Forward Currency Contracts

Forward currency contracts are measured by alternative pricing sources with reasonable levels of price transparency in markets that are not as active, and may therefore be less efficient and less liquid, than the more mature Level 1 markets. These markets do however have comparable, observable inputs by which an alternative pricing source values these assets in order to arrive at fair market value. Based on these characteristics, forward currency contracts are classified as having Level 2 inputs.

NOTE G - FAIR VALUE MEASUREMENTS - Continued

Gift Annuities and Pooled Life Income Funds

Liabilities associated with split interest agreements are recorded based on non-recurring fair value measurements and are recorded at the present value of future cash flows expected to be paid to beneficiaries based upon actuarial lives, which is considered to be a Level 3 input.

World Learning has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2013 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash equivalents	\$ 2,053,871	\$	\$	\$ 2,053,871
Fixed income strategies	5,955,022			5,955,022
Equity strategies	13,969,902	6,927,960		20,897,862
Balanced strategies		4,940,883		4,940,883
Alternative strategies:				
Commodities funds		1,118,046		1,118,046
Hedge funds			6,974,749	6,974,749
Private equity funds			2,321,139	2,321,139
Real estate funds			811,046	811,046
Total - Alternative strategies	<u>-</u>	<u>1,118,046</u>	<u>10,106,934</u>	<u>11,224,980</u>
Total - Investments	<u>\$ 21,978,795</u>	<u>\$ 12,986,889</u>	<u>\$ 10,106,934</u>	<u>\$ 45,072,618</u>
Forward currency contracts	<u>\$ -</u>	<u>\$ (266,328)</u>	<u>\$ -</u>	<u>\$ (266,328)</u>

The following table presents a roll-forward, by investment category, of the change in the value of Level 3 investments during the year ended June 30, 2013:

	<u>Hedge Funds</u>	<u>Private Equity Funds</u>	<u>Real Estate Funds</u>	<u>Total</u>
Balance, beginning of year	\$ 7,772,117	\$ 2,106,257	\$ 820,612	\$ 10,698,986
Additional investments	-	274,025	-	274,025
Redemptions	(1,004,231)	(176,020)	(78,683)	(1,258,934)
Net appreciation	<u>206,863</u>	<u>116,877</u>	<u>69,117</u>	<u>392,857</u>
Balance, end of year	<u>\$ 6,974,749</u>	<u>\$ 2,321,139</u>	<u>\$ 811,046</u>	<u>\$ 10,106,934</u>

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012

NOTE G - FAIR VALUE MEASUREMENTS - Continued

World Learning has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2012 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash equivalents	\$ 6,849,297	\$ -	\$ -	\$ 6,849,297
Fixed income strategies	6,274,705	-	-	6,274,705
Equity strategies	7,623,034	5,435,753	-	13,058,787
Balanced strategies	-	4,772,670	-	4,772,670
Alternative strategies:				
Commodities funds	-	1,471,937	-	1,471,937
Hedge funds	-	-	7,772,117	7,772,117
Private equity funds	-	-	2,106,257	2,106,257
Real estate funds	-	-	820,612	820,612
Total - Alternative strategies	<u>-</u>	<u>1,471,937</u>	<u>10,698,986</u>	<u>12,170,923</u>
Total - Investments	\$ <u>20,747,036</u>	\$ <u>11,680,360</u>	\$ <u>10,698,986</u>	\$ <u>43,126,382</u>
Forward currency contracts	\$ <u>-</u>	\$ <u>(302,529)</u>	\$ <u>-</u>	\$ <u>(302,529)</u>

The following table presents a roll-forward, by investment category, of the change in the value of Level 3 investments during the year ended June 30, 2012:

	<u>Hedge Funds</u>	<u>Private Equity Funds</u>	<u>Real Estate Funds</u>	<u>Total</u>
Balance, beginning of year	\$ 8,939,285	\$ 1,703,865	\$ 632,756	\$ 11,275,906
Additional investments	936	361,768	183,359	546,063
Redemptions	(1,069,286)	(137,317)	(19,176)	(1,225,779)
Net appreciation (depreciation)	<u>(98,818)</u>	<u>177,941</u>	<u>23,673</u>	<u>102,796</u>
Balance, end of year	\$ <u>7,772,117</u>	\$ <u>2,106,257</u>	\$ <u>820,612</u>	\$ <u>10,698,986</u>

WORLD LEARNING, INC.

Notes to Consolidated Financial Statements - Continued
 June 30, 2013 and 2012

NOTE G - FAIR VALUE MEASUREMENTS - Continued

World Learning had outstanding commitments to contribute capital to alternative investment funds of \$342,590 and \$701,660 at June 30, 2013 and 2012, respectively.

The liquidity of the investment portfolio, expressed in time periods over which investments can be converted to cash, is as follows at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Less than 30 days	\$ 25,661,782	\$ 24,187,025
Greater than 30 days-less than 1 year	11,898,864	10,820,133
Greater than 1 year	7,511,972	8,119,224

As a practical expedient, the Organization is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported net asset value (“NAV”) without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The Organization’s investments in commodities, equity and balanced strategies are fair-valued based on the most current NAV and have adopted a policy that defines near-term liquidity as those investments allowing liquidity within twelve months of the reporting period. Included in Level 2 are assets valued at NAV which are redeemable in the near term. Investments offering periodic transparency with opportunities for liquidity within twelve months of the reporting period generally consist of commingled funds and are reported in Level 2.

The table below presents additional information regarding investments, whose fair value is estimated using NAV, as of June 30, 2013.

	<u>Fair Value</u>	<u>Redemption Periods of Liquidation</u>	<u>No. of Days Notice</u>
Equity strategies	\$ 6,927,960	Various	Various (a)
Balanced strategies	4,940,883	Monthly	15
Commodities	1,118,046	Monthly	5
Hedge funds	6,974,749	Qtrly-Yearly	15-90 days
Private equity funds	2,321,139	Illiquid	N/A
Real estate funds	811,046	Illiquid	N/A
	<u>\$ 23,093,823</u>		
Total	\$ 23,093,823		

- (a) Includes equity strategies that are redeemable in various time frames including daily without notice and monthly requiring 15 days’ notice.

WORLD LEARNING, INC.

Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012

NOTE H - ENDOWMENT FUNDS

The Organization has historically viewed the Vermont Uniform Management of Institutional Funds Act (“UMIFA”) as requiring it to preserve the historic dollar value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees.

Interpretation of Relevant Law

Effective May 15, 2009, Vermont adopted the Uniform Prudent Management of Institutional Funds Act (“Vermont UPMIFA”). The primary difference between UMIFA and Vermont UPMIFA is the recognition that prudent stewardship may allow expenditure from permanently restricted net assets. Unless the gift instrument creating a donor restricted endowment fund expressly provides otherwise, the Board of Trustees may, as provided in Vermont UPMIFA, from time to time, appropriate for expenditure such portion of the permanently restricted net assets as the Board determines is prudent, after consideration of the factors set forth below:

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

If the fair value of assets associated with individual donor-restricted endowment funds falls below the original gift value plus accumulations, if applicable, the deficiency is recorded as a charge to unrestricted net assets with a corresponding increase to temporarily restricted net assets. In subsequent periods, the deficiency may be restored as a result of appreciation of the underlying endowment investments.

Funds with Deficiencies

World Learning’s endowment consists of approximately 80 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowment). At June 30, 2013, the fair value of nine endowment accounts was less than (underwater) their original contribution value by a total of approximately \$83,000. At June 30, 2012, the fair value of thirteen endowment accounts was less than (underwater) their original contribution value by a total of approximately \$103,000.

NOTE H – ENDOWMENT FUNDS - Continued

Endowment Investment Policy

For the years ended June 30, 2013 and 2012, World Learning employed an endowment spending model of 5% on a twelve quarter trailing average of the fair value of endowment fund investments as of March 31. The spending policy is designed to provide a stable level of financial support and to preserve the real value of the endowment. Endowment fund investments are managed in accordance with the total return concept and the goal of maximizing long-term return within acceptable levels of risk. The Organization compares the performance of investments against several benchmarks, including an asset allocation spending policy index.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Donor restricted amounts reported below include appreciation and depreciation reported as temporarily restricted net assets. The underwater amount of endowment funds is reported as a reduction of unrestricted net assets.

Strategies Employed for Achieving Objectives

The primary objective is to utilize a total return approach with a cross section of fixed income, equity and alternative strategies that combine income and dividend growth for inflation protection and earnings growth and credit enhancement for appreciation.

Endowment net assets were as follows at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted	\$ 1,193,772	\$ -	\$ -	\$ 1,193,772
Donor-restricted	-	7,964,276	30,449,961	38,414,237
Quasi (Board designated)	<u>5,265,024</u>	<u>-</u>	<u>-</u>	<u>5,265,024</u>
	<u>\$ 6,458,796</u>	<u>\$ 7,964,276</u>	<u>\$ 30,449,961</u>	<u>\$ 44,873,033</u>

Endowment net assets were as follows at June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrestricted	\$ 1,396,017	\$ -	\$ -	\$ 1,396,017
Donor-restricted	-	6,269,361	30,454,796	36,724,157
Quasi (Board designated)	<u>4,954,258</u>	<u>-</u>	<u>-</u>	<u>4,954,258</u>
	<u>\$ 6,350,275</u>	<u>\$ 6,269,361</u>	<u>\$ 30,454,796</u>	<u>\$ 43,074,432</u>

WORLD LEARNING, INC.Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012**NOTE H - ENDOWMENT FUNDS - Continued**

Changes in endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets June 30, 2012	\$ 6,350,275	\$ 6,269,361	\$ 30,454,797	\$ 43,074,433
Interest and dividends	19,345	394,588	-	413,933
Net appreciation	158,122	3,225,199	-	3,383,321
Contributions	-	-	60,830	60,830
Withdrawals	(88,150)	(1,905,669)	-	(1,993,819)
Recovery of historical values	19,204	(19,204)	-	-
Reclassification	-	-	(65,665)	(65,665)
Net endowment assets June 30, 2013	<u>\$ 6,458,796</u>	<u>\$ 7,964,275</u>	<u>\$ 30,449,962</u>	<u>\$ 44,873,033</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets June 30, 2011	\$ 6,813,084	\$ 9,993,233	\$ 29,879,139	\$ 46,685,456
Interest and dividends	24,518	144,027	-	168,545
Net depreciation	(380,136)	(2,233,034)	-	(2,613,170)
Contributions	-	-	575,658	575,658
Withdrawals	(70,484)	(1,671,572)	-	(1,742,056)
Deficiencies in historical values	(36,707)	36,707	-	-
Net endowment assets June 30, 2012	<u>\$ 6,350,275</u>	<u>\$ 6,269,361</u>	<u>\$ 30,454,797</u>	<u>\$ 43,074,433</u>

NOTE I - DERIVATIVES

World Learning's use of derivatives is limited to forward currency contracts. The notional value of open contracts, which are scheduled to mature at various dates from July 2013 to April 2014, was approximately \$4.6 million at June 30, 2013. The fair value of the forward currency contracts at June 30, 2013 was in a liability position of \$266,328 and is included within accounts payable and accrued expenses in the statement of financial position.

The notional value of open contracts, which were scheduled to mature at various dates from July 2012 to March 2013, was approximately \$6.3 million at June 30, 2012. The fair value of the forward currency contracts at June 30, 2012 was in a liability position of \$302,529 and is included within accounts payable and accrued expenses in the statement of financial position.

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012

NOTE J - LONG TERM DEBT

Notes Payable

Notes payable consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unsecured term loan - interest rate of 4.15% due in February 2014, payable in monthly principal and interest payments	\$ 198,060	\$ 485,153
Vehicle financing - non-interest bearing note due in September 2014, payable in equal monthly installments	<u>8,884</u>	<u>15,991</u>
	<u>\$ 206,944</u>	<u>\$ 501,144</u>

Principal payments on notes payable become due as follows:

<u>Year ending June 30,</u>	
2014	\$ 205,167
2015	<u>1,777</u>
	<u>\$ 206,944</u>

Lines of Credit

In January 2013, World Learning renewed a \$10,000,000 unsecured revolving line of credit (the "Line") with Merchants Bank, which it had originally entered into in October 2010. Borrowings under the Line bear interest at the prime rate, with a floor of 3.25%. Borrowings under the Line were \$3,895,372 and \$2,355,570 as of June 30, 2013 and 2012, respectively. The Line is scheduled to mature January 31, 2014.

Also in January 2013, World Learning entered into a \$500,000 unsecured non-revolving guidance line of credit ("GLOC") with Merchants Bank, converting to a commercial term loan for equipment purchases. Advances from the GLOC are limited to 85% of the cost of new equipment and 75% for used equipment. Any advances under the GLOC bear interest at the prime rate, with a floor of 3.25%. The draw period expires January 31, 2014. To date, World Learning has not utilized this available credit.

In September 2011, World Learning entered into a \$1,000,000 unsecured credit facility with Merchants Bank to provide funding for the reengineering project (the "Reengineering Line"). To date, World Learning has never utilized this available credit. In January 2013, World Learning requested the termination of this credit facility effective concurrent with the renewal of the \$10 million revolving line of credit.

WORLD LEARNING, INC.Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012**NOTE K - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 479,922	\$ 479,922
Land improvements	574,594	567,744
Buildings and building improvements	8,215,001	7,899,847
Furniture and equipment	7,938,440	7,222,207
Equipment under capital leases	581,317	455,537
Motor vehicles	<u>262,576</u>	<u>273,802</u>
	18,051,850	16,899,059
Less accumulated depreciation and amortization	<u>(10,054,634)</u>	<u>(10,232,468)</u>
	\$ 7,997,216	\$ 6,666,591

Depreciation expense was \$1,361,117 and \$1,397,244 for the years ended June 30, 2013 and 2012, respectively. Included in depreciation expense totals was \$98,460 and \$83,996 of amortization for equipment under capital leases for the years ended June 30, 2013 and 2012, respectively.

NOTE L - LEASES

World Learning is obligated under non-cancelable operating leases for program and support facilities and capital leases for equipment. Future minimum lease payments as of June 30, 2013 are as follows:

<u>Year ending June 30</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2014	\$ 1,357,150	\$ 135,944
2015	1,390,139	43,357
2016	1,424,891	29,581
2017	1,462,311	20,439
2018	1,504,263	-
Thereafter	<u>4,398,969</u>	<u>-</u>
Total payments	\$ 11,537,723	\$ 229,321
Less: interest costs		<u>(1,971)</u>
Capital lease obligations		\$ 227,350

Rental expense for operating leases, including tenant-at-will leases, was \$2,674,636 and \$2,200,257 for the years ended June 30, 2013 and 2012, respectively.

WORLD LEARNING, INC.Notes to Consolidated Financial Statements - Continued
June 30, 2013 and 2012**NOTE M - RETIREMENT PLAN**

World Learning offers a 403(b) (defined contribution) retirement plan through Teachers Insurance Annuity Association (“TIAA”) and College Retirement Equities Funds (“CREF”). The plan covers all employees meeting minimum age and length of service requirements, and who choose to participate. Participation is optional for all regular full-time and part-time employees who agree to contribute on a voluntary salary deduction basis. For the years ended June 30, 2013 and 2012, World Learning matched each participant’s contribution up to 5% of compensation. Retirement plan expense was \$908,421 and \$865,509 for the years ended June 30, 2013 and 2012, respectively.

NOTE N - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 and 2012 are restricted as follows:

	<u>2013</u>	<u>2012</u> (as restated)
Purpose restrictions		
Scholarships	\$ 4,717,387	\$ 4,097,167
Programs	4,387,915	3,772,784
Capital projects and preservation	1,662,350	211,701
Other	<u>324,299</u>	<u>475,708</u>
	<u>11,091,951</u>	<u>8,557,360</u>
Time restrictions		
Contributions receivable	424,242	515,575
Life income funds (pooled investment fund)	<u>71,496</u>	<u>71,496</u>
	<u>495,738</u>	<u>587,071</u>
	<u>\$ 11,587,689</u>	<u>\$ 9,144,431</u>

Net assets are released from donor restrictions based on incurrence of expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets were released as follows during the years ended June 30:

	<u>2013</u>	<u>2012</u>
Purpose restrictions:		
Scholarships	\$ 2,106,475	\$ 2,346,692
Programs, projects and other initiatives	<u>2,370,758</u>	<u>1,324,952</u>
	<u>4,477,233</u>	<u>3,671,644</u>
Time restrictions:		
Pooled income distribution	<u>44,094</u>	<u>(71,343)</u>
	<u>\$ 4,521,327</u>	<u>\$ 3,600,301</u>

NOTE O - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2013 and 2012 are restricted as follows:

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 15,714,369	\$ 15,739,355
Programs	14,553,567	14,551,969
Capital projects and preservation	145,072	143,572
Other	<u>47,596</u>	<u>47,593</u>
	<u>\$ 30,460,604</u>	<u>\$ 30,482,488</u>

NOTE P - CONTINGENCIES

World Learning receives significant funding from several U.S. government agencies in the form of project grants and contracts. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of World Learning. In the opinion of management, such adjustments, if any, are not expected to have a material effect on World Learning's financial condition, change in net assets and cash flows.

Various legal claims arise from time to time in the normal course of business. In the opinion of management, the resolution of such claims is not expected to have a material effect on World Learning's financial position, change in net assets and cash flows.

NOTE Q – OPERATIONS REENGINEERING PROJECT

In July 2011, World Learning initiated a project to reengineer certain activities in its administrative areas. The primary objective of this project was the streamlining and improvement of administrative processes so that future growth and innovation can be undertaken while maintaining quality. In connection with this initiative, a voluntary severance plan was offered to eligible employees in the Vermont location. In addition, some additional positions were eliminated primarily in the Vermont location. Severance costs associated with these actions were recognized as expenses in fiscal 2012. The overall cost of this initiative, including consulting fees, severance costs and other related expenses was \$2.2 million and has been separately presented in the accompanying statement of activities for the year ended June 30, 2012.