

Consolidated Financial Statements and Report of
Independent Certified Public Accountants

WORLD LEARNING, INC.

June 30, 2016 and 2015

WORLD LEARNING, INC.

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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, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the 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 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 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, 2016 and 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

New York, New York

December 15, 2016

WORLD LEARNING, INC.
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 4,562,573	\$ 3,813,799
Accounts and notes receivable, net	15,689,947	18,496,399
Contributions receivable, net	1,320,366	1,126,461
Prepaid expenses and other assets	5,281,021	4,694,241
Investments	44,304,964	48,715,299
Property, plant and equipment, net	<u>5,478,875</u>	<u>6,060,115</u>
Total assets	<u>\$ 76,637,746</u>	<u>\$ 82,906,314</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 7,693,075	\$ 7,121,568
Advance payments, deferred revenue and other liabilities	10,254,497	9,174,845
Borrowings under line of credit	7,822,249	9,303,282
Federal loan program advances	<u>785,917</u>	<u>878,072</u>
Total liabilities	<u>26,555,738</u>	<u>26,477,767</u>
Commitments and contingencies		
NET ASSETS		
Unrestricted	9,771,927	11,998,608
Temporarily restricted	9,091,147	13,384,837
Permanently restricted	<u>31,218,934</u>	<u>31,045,102</u>
Total net assets	<u>50,082,008</u>	<u>56,428,547</u>
Total liabilities and net assets	<u>\$ 76,637,746</u>	<u>\$ 82,906,314</u>

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

WORLD LEARNING, INC.
Consolidated Statement of Activities
Year ended June 30, 2016
(With summarized total information for the year ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
OPERATING REVENUES AND OTHER SUPPORT					
Operating revenues					
Tuition and program fees	\$ 50,364,571	\$ -	\$ -	\$ 50,364,571	\$ 48,788,434
Less scholarships	<u>(5,529,668)</u>	<u>-</u>	<u>-</u>	<u>(5,529,668)</u>	<u>(4,687,078)</u>
Net tuition and program fees	44,834,903	-	-	44,834,903	44,101,356
Grants and contracts					
Federal grants and contracts	84,775,944	-	-	84,775,944	91,748,679
Private grants and contracts	6,084,220	-	-	6,084,220	2,647,014
Investment return availed under spending policy	1,466,321	709,302	-	2,175,623	2,236,455
Contributions	658,964	1,574,750	-	2,233,714	2,847,052
Auxiliary services	715,671	-	-	715,671	775,244
Other revenue	367,245	-	-	367,245	214,512
Net assets released from donor restrictions and reclassifications	<u>2,511,227</u>	<u>(2,510,127)</u>	<u>(1,100)</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	<u>141,414,495</u>	<u>(226,075)</u>	<u>(1,100)</u>	<u>141,187,320</u>	<u>144,570,312</u>
EXPENSES					
Operating expenses					
Education and general					
Program and instruction	33,719,016	-	-	33,719,016	33,669,897
Program support	3,712,601	-	-	3,712,601	2,749,936
Student services	1,980,916	-	-	1,980,916	1,648,049
Grants and contracts					
Federal grants and contracts	84,775,944	-	-	84,775,944	91,748,679
Private grants and contracts	5,506,742	-	-	5,506,742	2,678,337
Auxiliary services	856,485	-	-	856,485	1,036,934
General support	12,190,058	-	-	12,190,058	10,854,085
Interest on indebtedness	109,114	-	-	109,114	73,328
Other	<u>250,748</u>	<u>-</u>	<u>-</u>	<u>250,748</u>	<u>32,190</u>
Total operating expenses	<u>143,101,624</u>	<u>-</u>	<u>-</u>	<u>143,101,624</u>	<u>144,491,435</u>
Change in net assets from operations	<u>(1,687,129)</u>	<u>(226,075)</u>	<u>(1,100)</u>	<u>(1,914,304)</u>	<u>78,877</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income, net of amounts availed	(546,329)	(4,062,845)	-	(4,609,174)	(1,969,421)
Contributions	-	-	174,932	174,932	502,505
Loss from sale and disposal of property	(97,394)	-	-	(97,394)	(445,623)
Gains from foreign currency transactions	124,606	-	-	124,606	559,788
Other non-operating expenses	<u>(20,435)</u>	<u>(4,770)</u>	<u>-</u>	<u>(25,205)</u>	<u>(8,522)</u>
Total non-operating revenues (expenses)	<u>(539,552)</u>	<u>(4,067,615)</u>	<u>174,932</u>	<u>(4,432,235)</u>	<u>(1,361,273)</u>
Change in net assets	<u>(2,226,681)</u>	<u>(4,293,690)</u>	<u>173,832</u>	<u>(6,346,539)</u>	<u>(1,282,396)</u>
Net assets - beginning of year	<u>11,998,608</u>	<u>13,384,837</u>	<u>31,045,102</u>	<u>56,428,547</u>	<u>57,710,943</u>
Net assets - end of year	<u>\$ 9,771,927</u>	<u>\$ 9,091,147</u>	<u>\$ 31,218,934</u>	<u>\$ 50,082,008</u>	<u>\$ 56,428,547</u>

The accompanying notes are an integral part of this financial statement.

WORLD LEARNING, INC.
Consolidated Statement of Activities
Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES AND OTHER SUPPORT				
Operating revenues				
Tuition and program fees	\$ 48,788,434	\$ -	\$ -	\$ 48,788,434
Less scholarships	<u>(4,687,078)</u>	<u>-</u>	<u>-</u>	<u>(4,687,078)</u>
Net tuition and program fees	44,101,356	-	-	44,101,356
Grants and contracts				
Federal grants and contracts	91,748,679	-	-	91,748,679
Private grants and contracts	2,647,014	-	-	2,647,014
Investment return availed under spending policy	1,503,596	732,859	-	2,236,455
Contributions	722,724	2,124,328	-	2,847,052
Auxiliary services	775,244	-	-	775,244
Other revenue	214,512	-	-	214,512
Net assets released from donor restrictions	<u>2,882,640</u>	<u>(2,882,640)</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	<u>144,595,765</u>	<u>(25,453)</u>	<u>-</u>	<u>144,570,312</u>
EXPENSES				
Operating expenses				
Education and general				
Program and instruction	33,669,897	-	-	33,669,897
Program support	2,749,936	-	-	2,749,936
Student services	1,648,049	-	-	1,648,049
Grants and contracts				
Federal grants and contracts	91,748,679	-	-	91,748,679
Private grants and contracts	2,678,337	-	-	2,678,337
Auxiliary services	1,036,934	-	-	1,036,934
General support	10,854,085	-	-	10,854,085
Interest on indebtedness	73,328	-	-	73,328
Other	<u>32,190</u>	<u>-</u>	<u>-</u>	<u>32,190</u>
Total operating expenses	<u>144,491,435</u>	<u>-</u>	<u>-</u>	<u>144,491,435</u>
Change in net assets from operations	<u>104,330</u>	<u>(25,453)</u>	<u>-</u>	<u>78,877</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income, net of amounts availed	(231,927)	(1,737,494)	-	(1,969,421)
Contributions, including capital gifts	-	119,321	383,184	502,505
Other fund adjustments	65,486	(168,654)	103,168	-
Loss from sale and disposal of property	(445,623)	-	-	(445,623)
Gains from foreign currency transactions	559,788	-	-	559,788
Other non-operating expenses	<u>(8,522)</u>	<u>-</u>	<u>-</u>	<u>(8,522)</u>
Total non-operating revenues (expenses)	<u>(60,798)</u>	<u>(1,786,827)</u>	<u>486,352</u>	<u>(1,361,273)</u>
Change in net assets	<u>43,532</u>	<u>(1,812,280)</u>	<u>486,352</u>	<u>(1,282,396)</u>
Net assets - beginning of year	<u>11,955,076</u>	<u>15,197,117</u>	<u>30,558,750</u>	<u>57,710,943</u>
Net assets - end of year	<u>\$ 11,998,608</u>	<u>\$ 13,384,837</u>	<u>\$ 31,045,102</u>	<u>\$ 56,428,547</u>

The accompanying notes are an integral part of this financial statement.

WORLD LEARNING, INC.
Consolidated Statements of Cash Flows
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,346,539)	\$ (1,282,396)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,450,618	1,431,853
Change in allowance for uncollectible contributions receivable and other accounts receivable	20,258	142,976
Net unrealized and realized losses (gains) on investments	2,415,668	(233,814)
Contributions restricted for long-term investments	(174,932)	(383,184)
Capital gift contributions	-	(119,321)
Loss from sale and disposal of property	97,394	445,623
Change in operating assets and liabilities		
Prepaid expenses and other assets	(586,780)	(913,724)
Accounts and other receivables	2,837,092	(4,948,944)
Contributions receivable	(244,803)	(684,366)
Accounts payable and accrued expenses	571,507	1,928,940
Advance payments, deferred revenue and other liabilities	<u>1,079,652</u>	<u>(183,561)</u>
Net cash provided by (used in) operating activities	<u>1,119,135</u>	<u>(4,799,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(966,773)	(665,284)
Proceeds from sale of property	-	300
Purchases of investments	(1,952,039)	(5,982,713)
Proceeds from sale of investments	3,946,707	7,036,655
Loans granted	(128,161)	(74,255)
Loans repaid	<u>128,161</u>	<u>74,255</u>
Net cash provided by investing activities	<u>1,027,895</u>	<u>388,958</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	174,932	383,184
Federal loan program advance repayments	(92,155)	-
Net (payments on) proceeds from line of credit	<u>(1,481,033)</u>	<u>4,242,251</u>
Net cash (used in) provided by financing activities	<u>(1,398,256)</u>	<u>4,625,435</u>
Net increase in cash and cash equivalents	748,774	214,475
Cash and cash equivalents - beginning of year	<u>3,813,799</u>	<u>3,599,324</u>
Cash and cash equivalents - end of year	<u>\$ 4,562,573</u>	<u>\$ 3,813,799</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 110,355</u>	<u>\$ 59,625</u>

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

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

1. ORGANIZATION

World Learning, Inc. (“World Learning” or the “Organization”), was founded in 1932, and is a private, nonprofit organization working to foster global citizenship through education, training, and field projects in over 70 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, with offices in Washington D.C. and operating locations worldwide, 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 50 countries. International Honors Program (“IHP”), which was acquired by World Learning in 2010, offers theme-based, multi-country study abroad programs within a semester or academic year 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

The accompanying consolidated 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 consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), as applicable to non-profit entities.

Net assets, revenues, expenses, gains and losses are classified into one of the three following categories based on the existence or absence of donor-imposed restrictions.

Unrestricted - net assets generally resulting 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, or board-designated), are also classified as unrestricted net assets. Board designated net assets amounted to \$5,061,891 and \$5,534,958 at June 30, 2016 and 2015, respectively.

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

Temporarily restricted - net assets resulting 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 (Note 13).

Permanently restricted - net assets comprised of the historical cost (fair value at date of gift) of contributions whose corpus is required by donor-imposed stipulations to be retained as fund of a permanent duration. Generally, such donors permit the use of income and investment returns from such resources for specific or mission related purposes (Notes 7, 13 and 14).

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 net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the reporting period in which they are received are reported as unrestricted support in the consolidated statements of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Promises to give that are scheduled to 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 presented as either increases in temporarily restricted or permanently restricted net assets depending on the nature of those restrictions. Temporarily restricted support is reclassified 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 consolidated statements of activities present the change in net assets from operating and non-operating activities. Operating activities consist of those items attributable to World Learning's programs. Returns earned on World Learning's endowment investments is reported as operating revenue by applying a Board approved spending rate (4.75% in both fiscal 2016 and 2015) to the rolling twelve quarter average fair value of the endowment fund as of March 31 of the prior fiscal year. Capital contributions and other nonrecurring items, if any, are reported as non-operating revenue or expense.

Income Taxes

World Learning is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. Certain of World Learning's foreign subsidiaries are organized as taxable entities in their respective countries. Income taxes attributable to the operations of these entities are determined by applying the asset and liability method.

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

The Organization is required to assess uncertain tax positions. While Federal and state tax years ended June 30, 2013, 2014, 2015, and 2016 are still open to examination, management has determined that there were no uncertain positions that are material to the consolidated financial statements.

It is the Organization's policy to record estimated interest and penalties, if any, as part of general support expense.

Cash and Cash Equivalents

Cash and short term investments with maturities of three months or less at the time of purchase are classified as cash equivalents. The carrying value 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. The Organization has not experienced and does not anticipate any losses in such accounts.

Cash and cash equivalents held by investment managers are classified with investments (see Note 5).

Included in cash and cash equivalents at June 30, 2016 and 2015 were \$3,255,010 and \$1,881,193, 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 exhausted.

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 \$104,469 and \$108,809 at June 30, 2016 and 2015, respectively, and is presented within accounts payable and accrued expenses in the consolidated statements of financial position.

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements
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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.

Charitable Remainder Unitrust

World Learning is the beneficiary of an irrevocable charitable remainder unitrust. World Learning recognizes its estimated remainder interest in the trust 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, 2016 and 2015 were \$2,430,420 and \$2,214,013, 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 of 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

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, if any, is included in non-operating revenues and expenses in the consolidated statements 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 two to ten 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.

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements
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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 consolidated statements of activities. Fair values of open contracts are included either in other assets or accrued expenses in the consolidated statements 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.

Contracts and Grants

Federal grants and contracts normally provide for the recovery of allowable direct costs and indirect costs based on rates negotiated with the Federal cognizant agency. World Learning recognizes revenue associated with direct and indirect costs as the related costs are incurred (Note 15). For financial reporting purposes, all billable direct and indirect costs on Federal grants and billable contracts are classified together in grants and contracts expenses.

As stipulated by Office of Management and Budget Guidance for Grants and Agreements 2 CFR 200, subpart E, an organization annually negotiates provisional and final facilities and administrative rate (“indirect rates”) with its cognizant federal agency. During the fiscal year the entity recovers indirect revenue per the approved provisional indirect rate. When indirect revenue recovered exceeds actual indirect costs, the entity recognizes a liability for over-recovered indirect revenue. When actual indirect costs exceed indirect revenue recovered using the provisional indirect rate, the entity does not recognize additional revenue until a new final rate is negotiated with the cognizant federal agency.

In the consolidated statements of activities, program support and general support expenses are presented net of provisional facilities and administrative recovery. The total provisional facilities and administrative recovery for fiscal years 2016 and 2015 were \$10,778,593 and \$10,729,027, respectively.

Allocation of facilities and administrative recovery between program support and general support for fiscal year 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Program support	\$ 9,762,625	\$ 8,783,941
Less: facilities and administrative recovery	<u>(6,050,024)</u>	<u>(6,034,005)</u>
Program support, net	<u>\$ 3,712,601</u>	<u>\$ 2,749,936</u>
	<u>2016</u>	<u>2015</u>
General support	\$ 16,918,627	\$ 15,549,107
Less: facilities and administrative recovery	<u>(4,728,569)</u>	<u>(4,695,022)</u>
General support, net	<u>\$ 12,190,058</u>	<u>\$ 10,854,085</u>

WORLD LEARNING, INC.
Notes to Consolidated Financial Statements
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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 unrestricted activities.

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 this Program, the amounts are generally refundable to the Federal government.

Fundraising Expenses

Fundraising costs of \$1,237,330 and \$1,280,110 for the years ended June 30, 2016 and 2015, respectively, were included with general support in the consolidated statements of activities.

Functional Expense Allocation

The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statements 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, if any, are recorded at the lower of either their estimated values at date of receipt or the prevailing discounted pricing for educational institutions.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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 consolidated 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, beneficial interests in split-interest agreements and present values of annuity payment liabilities. Actual results could differ from those estimates.

Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation. There were no changes in total assets, liabilities, revenues, expenses or changes in net assets as reflected in the previously issued fiscal 2015 consolidated financial statements.

Subsequent Events

World Learning has evaluated events and transactions for potential recognition or disclosure through December 15, 2016, which was the date these consolidated financial statements were available to be issued.

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3. ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable, net, at June 30, 2016 and 2015, consisted of:

	<u>2016</u>	<u>2015</u>
Federal grants and contracts	\$ 9,916,584	\$ 14,276,475
Student loans	922,069	984,934
Programs and students	180,899	139,277
Private grants and contracts	3,889,677	2,239,700
Other receivables	960,438	1,066,373
Allowance for uncollectible accounts	<u>(179,720)</u>	<u>(210,360)</u>
	<u>\$ 15,689,947</u>	<u>\$ 18,496,399</u>

Included in federal grants and 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 contracts receivable was \$2,171,413 and \$1,248,710 as of June 30, 2016 and 2015, respectively.

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

	<u>2016</u>	<u>2015</u>
Federal	\$ 726,192	\$ 783,476
Institutional	<u>195,877</u>	<u>201,458</u>
	922,069	984,934
Allowance for uncollectible accounts	<u>(90,390)</u>	<u>(119,000)</u>
Student loans receivable, net	<u>\$ 831,679</u>	<u>\$ 865,934</u>

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 \$786,000 and \$878,000 at June 30, 2016 and 2015, respectively, are ultimately refundable to the Federal program and are classified as liabilities in the consolidated statements of financial position. In September 2015 the Federal government terminated the Perkins Loan Program. However, in December 2015 funding of the program was subsequently extended through September 2017.

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At June 30, 2016 and 2015, 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>
2016	\$ 2,154	\$ 120	\$ 311,606	\$ 313,880
2015	3,380	120	292,655	296,155

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 this program.

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, at June 30, 2016 and 2015, consisted of:

	<u>2016</u>	<u>2015</u>
Amounts:		
Due within one year	\$ 741,866	\$ 620,341
Due within two to five years	<u>723,500</u>	<u>594,020</u>
	1,465,366	1,214,361
Less:		
Unamortized discount	(33,301)	(27,099)
Allowance for uncollectible pledges	<u>(111,699)</u>	<u>(60,801)</u>
	<u>\$ 1,320,366</u>	<u>\$ 1,126,461</u>

The discount rate used to measure contributions receivable at their present value was 3.25% at June 30, 2016 and 2015.

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 are reviewed individually to assess the likelihood of collection.

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5. INVESTMENTS

The fair value of investments at June 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 1,679,890	\$ 1,944,970
Fixed income strategies	7,988,904	8,198,217
Equity strategies	19,908,559	22,606,691
Asset allocation strategies	7,307,845	7,518,458
Alternative strategies:		
Commodities funds	805,058	916,768
Hedge funds	3,837,675	4,150,466
Private equity funds	2,424,308	2,858,587
Real estate funds	<u>352,725</u>	<u>521,142</u>
	<u>\$ 44,304,964</u>	<u>\$ 48,715,299</u>

World Learning categorizes its investments as follows:

Fixed Income Strategies

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 a Standard & Poor's 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 for both growths 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.

Asset Allocation Strategies

Asset allocation strategy includes balanced strategy funds and risk parity funds. 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. Risk parity fund invests

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globally across stocks, bonds, currencies and commodities, allocating smaller amounts of capital to assets that are risky and larger amounts to assets that are less risky. Investment managers balance risk allocation across the four asset classes, but they have the ability to exploit tactical opportunities by making modest adjustment towards assets that they believe attractive and away from one they believe are less attractive.

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 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 manager is expected to utilize prudent underwriting criteria taking into consideration such items as market analysis, physical condition of the properties and tenancy.

Investment Return

A summary of World Learning’s return on investments, net of investment management fees of \$369,255 in 2016 and \$365,071 in 2015, follows:

	<u>2016</u>	<u>2015</u>
Dividends and interest income, net	\$ 351,372	\$ 398,291
Investment management fees	(369,255)	(365,071)
Net realized gains on sales of investments	1,079,289	2,432,488
Net unrealized losses on investments	<u>(3,494,957)</u>	<u>(2,198,674)</u>
Total investment return	(2,433,551)	267,034
Availed for operations under spending policy	<u>(2,175,623)</u>	<u>(2,236,455)</u>
	<u>\$ (4,609,174)</u>	<u>\$ (1,969,421)</u>

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6. 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.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) (“ASU 2015-07”), which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. Management elected to early adopt the provisions of this new standard. Accordingly, the amendment was retrospectively applied resulting in a change to the presentation of certain prior-period information in Note 6.

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. Other investment strategies are considered Level 3 if observable inputs do not exist and management is required to use pricing models or other significant estimation methodologies in determining fair value.

Alternative Investments

The Organization’s alternative investments consist of private equity and hedge funds as well as real estate and commodities funds which are 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

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most recent valuations provided by the external investment managers. Because of inherent uncertainties in the valuation process, the investment managers' 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 its consolidated financial statements and has implemented policies and procedures to assess the reasonableness of the fair values provided and believe that reported fair values in the consolidated statements of financial position are reasonable.

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, balanced strategies, hedge funds, private equities and real estate funds are fair-valued based on the most current NAV.

Forward Currency Contracts

The 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.

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, 2016 as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Inputs (Level 3)	Measured at Net Asset Value †	Total
Investments:					
Fixed income strategies	\$ 2,046,312	\$ -	\$ -	\$ 5,942,593	\$ 7,988,905
Equity strategies	4,263,565	-	3,833,045	11,811,960	19,908,570
Asset allocation strategies	-	-	-	7,307,845	7,307,845
Alternative strategies:					
Commodities	-	-	-	805,058	805,058
Hedge funds	-	-	-	3,837,675	3,837,675
Private equity funds	-	-	-	2,424,308	2,424,308
Real estate funds	-	-	-	352,725	352,725
Total - Alternative strategies	-	-	-	7,419,766	7,419,766
Total - Investments*	<u>\$ 6,309,877</u>	<u>\$ -</u>	<u>\$ 3,833,045</u>	<u>\$ 32,482,164</u>	<u>\$ 42,625,086</u>
Forward currency contract asset	<u>\$ -</u>	<u>\$ 241,166</u>	<u>\$ 241,166</u>	<u>\$ -</u>	<u>\$ 241,166</u>

* Cash equivalents are not required to be leveled under US GAAP and totaled \$1,679,890 at June 30, 2016.

† Investments measured at NAV practical expedient have not been classified in the fair value hierarchy.

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World Learning has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2015 as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Inputs (Level 3)	Measured at Net Asset Value †	Total
Investments:					
Fixed income strategies	\$ 2,277,463	\$ -	\$ -	\$ 5,920,754	\$ 8,198,217
Equity strategies	4,786,484	-	4,727,519	13,092,688	22,606,691
Asset allocation strategies measured at NAV†	-	-	-	7,518,458	7,518,458
Alternative strategies:					
Commodities measured at NAV†	-	-	-	916,768	916,768
Hedge funds measured at NAV†	-	-	-	4,150,466	4,150,466
Private equity funds measured at NAV†	-	-	-	2,858,587	2,858,587
Real estate funds measured at NAV†	-	-	-	521,142	521,142
Total - Alternative strategies	<u>7,063,947</u>	<u>-</u>	<u>4,727,519</u>	<u>34,978,863</u>	<u>8,446,963</u>
Total - Investments	<u>\$ 14,127,894</u>	<u>\$ -</u>	<u>\$ 9,455,038</u>	<u>\$ 61,510,763</u>	<u>\$ 46,770,329</u>
Forward currency contract asset	<u>\$ -</u>	<u>\$ 120,293</u>	<u>\$ 120,293</u>	<u>\$ -</u>	<u>\$ 120,293</u>

* Cash equivalents are not required to be leveled under US GAAP and totaled \$1,944,970 at June 30, 2015.

† Investments measured at NAV practical expedient have not been classified in the fair value hierarchy.

The liquidity of the investment portfolio, expressed in time periods over which investments can be converted to cash, was as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Less than 30 days	\$ 28,867,611	\$ 31,320,497
Greater than 30 days-less than 1 year	12,660,320	14,015,074
Greater than 1 year	2,777,033	3,379,729

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The table below presents additional information regarding investments, whose fair value is estimated using the practical expedient of reported NAV, as of June 30, 2016.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>No. of Funds</u>	<u>Redemption Periods of Liquidation</u>	<u>No. of Days Notice</u>
Fixed income strategies	\$ 5,942,593		2	Daily-Monthly	5
Equity strategies	11,811,960		3	Daily-Monthly	5-15
Asset allocation strategies	7,307,845		2	Daily-Monthly	5-15
Commodities	805,058		1	Monthly	5
Hedge funds	3,837,675		2	Qtrly-Yearly	50-90 days
Private equity funds	2,424,308	\$ 261,906	3	Illiquid	N/A
Real estate funds	<u>352,725</u>	<u>97,000</u>	1	Illiquid	N/A
Total	<u>\$ 32,482,164</u>	<u>\$ 358,906</u>			

The table below presents additional information regarding investments, whose fair value is estimated using the practical expedient of reported NAV, as of June 30, 2015.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>of Funds</u>	<u>Periods of Liquidation</u>	<u>Days Notice</u>
Fixed income strategies	\$ 5,920,754		2	Daily-Monthly	5
Equity strategies	13,092,688		3	Daily-Monthly	5-15
Asset allocation strategies	7,518,458		2	Daily-Monthly	5-15
Commodities	916,768		1	Monthly	5
Hedge funds	4,150,466		2	Qtrly-Yearly	50-90 days
Private equity funds	2,858,587	\$ 261,906	3	Illiquid	N/A
Real estate funds	<u>521,142</u>	<u>100,000</u>	1	Illiquid	N/A
Total	<u>\$ 34,978,863</u>	<u>\$ 361,906</u>			

7. ENDOWMENT FUNDS

The Organization has historically viewed the 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.

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Interpretation of Relevant Law

Effective May 15, 2009, Vermont adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The primary difference between UMIFA and 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 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, 2016, the fair value of five endowment accounts was less than original value (underwater) by a total of approximately \$94,000. At June 30, 2015, the fair value of six endowment accounts was less than original value (underwater) by a total of approximately \$59,000.

Endowment Investment Policy

The Endowment Fund is used to support the operations of World Learning. The Spending Policy directs the Investment Committee with input from World Learning Staff to set a spending rate each year at the winter Board meeting. For both years ended June 30, 2016 and 2015, World Learning employed an endowment spending model rate of 4.75% based upon on a twelve quarter trailing average of the fair value of endowment fund investments as of March 31 of the prior fiscal year. 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 spending policy is designed to provide a stable level of financial support and to preserve the real value of the endowment. 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 unrestricted net assets.

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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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 5,188,777	\$ 31,218,934	\$ 36,407,711
Quasi (Board designated)	<u>5,061,891</u>	<u>-</u>	<u>-</u>	<u>5,061,891</u>
	<u>\$ 5,061,891</u>	<u>\$ 5,188,777</u>	<u>\$ 31,218,934</u>	<u>\$ 41,469,602</u>

Endowment net assets were as follows at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 9,011,427	\$ 31,045,102	\$ 40,056,529
Quasi (Board designated)	<u>5,534,958</u>	<u>-</u>	<u>-</u>	<u>5,534,958</u>
	<u>\$ 5,534,958</u>	<u>\$ 9,011,427</u>	<u>\$ 31,045,102</u>	<u>\$ 45,591,487</u>

Changes in endowment net assets for the years ended June 30, 2016 and 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets June 30, 2015	\$ 5,534,958	\$ 9,011,427	\$ 31,045,102	\$ 45,591,487
Interest and dividends, net	(1,865)	(16,132)	-	(17,997)
Net depreciation	(247,465)	(2,140,974)	-	(2,388,439)
Contributions	-	-	174,932	174,932
Withdrawals	(223,737)	(1,859,162)	-	(2,082,899)
Deficiencies in historical values	-	28,764	-	28,764
Other	<u>-</u>	<u>164,855</u>	<u>(1,100)</u>	<u>163,755</u>
Net endowment assets June 30, 2016	<u>\$ 5,061,891</u>	<u>\$ 5,188,777</u>	<u>\$ 31,218,934</u>	<u>\$ 41,469,602</u>

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets June 30, 2014	\$ 5,737,658	\$ 10,923,316	\$ 30,558,750	\$ 47,219,724
Interest and dividends, net	3,299	31,287	-	34,586
Net appreciation	21,982	208,462	-	230,444
Contributions	-	-	383,184	383,184
Withdrawals	(227,982)	(2,088,040)	-	(2,316,022)
Recovery of historical values	-	(1,237)	-	(1,237)
Deficiencies in historical values	-	3,125	-	3,125
Change in donor intent	-	(65,486)	103,168	37,682
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net endowment assets June 30, 2015	<u>\$ 5,534,958</u>	<u>\$ 9,011,427</u>	<u>\$ 31,045,102</u>	<u>\$ 45,591,487</u>

8. 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 August 2016 to April 2017, is approximately \$5.8 million at June 30, 2016. The fair value of the forward currency contracts at June 30, 2016 was in an asset position of \$241,166 and was included within prepaid expenses and other assets in the statement of financial position.

The notional value of open contracts, which were scheduled to mature at various dates from July 2015 to May 2016, was approximately \$5 million at June 30, 2015. The fair value of the forward currency contracts at June 30, 2015 was in an asset position of \$120,293 and is included within prepaid expenses and other assets in the statement of financial position.

9. LONG TERM DEBT

Lines of Credit

In January 2016, World Learning entered into a \$15,000,000 unsecured revolving line of credit with Key Bank. Borrowings under the agreement bear interest at the London Interbank Offered (LIBOR) rate (approximately 2.54% at June 30, 2016). This line of credit expires on January 30, 2017. Prior to expiration management intends to renew this line of credit at similar terms,

In January 2015, World Learning entered into a \$15,000,000 unsecured revolving line of credit with Key Bank. Borrowings under the agreement bear interest at the London Interbank Offered (LIBOR) rate (approximately 2.47% at June 30, 2015). This line of credit expired on January 30, 2016.

The outstanding balance on lines of credit as of June 30, 2016 and June 30, 2015 were \$7,822,249 and \$9,303,282, respectively.

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10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 479,922	\$ 479,922
Land improvements	688,958	574,594
Buildings and building improvements	8,684,495	8,352,317
Furniture and equipment	9,068,685	8,645,848
Equipment under capital leases	669,542	669,542
Motor vehicles	<u>176,785</u>	<u>176,785</u>
	19,768,388	18,899,009
Less accumulated depreciation and amortization	<u>(14,289,512)</u>	<u>(12,838,894)</u>
	<u>\$ 5,478,875</u>	<u>\$ 6,060,115</u>

Depreciation expense was \$1,450,618 and \$1,431,853 for the years ended June 30, 2016 and 2015, respectively.

11. LEASES

World Learning is obligated under non-cancelable operating leases for program and support facilities. Future minimum lease payments as of June 30, 2016, follow:

Year Ending June 30	
2017	\$ 1,889,488
2018	1,911,077
2019	1,547,388
2020	1,586,072
Thereafter	<u>-</u>
Total payments	<u>\$ 6,934,025</u>

Rental expense for operating leases, including tenant-at-will leases, was \$3,111,638 and \$3,170,570 for the years ended June 30, 2016 and 2015, respectively.

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12. 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. World Learning matched each participant’s contribution up to 5% of compensation, subject to Internal Revenue Service limits. Retirement plan expense was \$1,004,428 and \$907,423 for the years ended June 30, 2016 and 2015, respectively.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Purpose restrictions		
Scholarships	\$ 3,766,660	\$ 5,714,042
Programs	3,168,978	5,267,280
Capital and preservation	431,256	735,553
Other	<u>332,558</u>	<u>435,989</u>
	<u>7,699,452</u>	<u>12,152,863</u>
Time restrictions		
Contributions receivable	1,159,663	994,475
Life income funds (pooled investment fund)	71,496	71,496
Charitable Reminder Unitrust	<u>160,536</u>	<u>166,003</u>
	<u>1,391,695</u>	<u>1,231,974</u>
	<u>\$ 9,091,147</u>	<u>\$ 13,384,837</u>

Net assets were released from donor restrictions based on incurrence of expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

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Net assets were released as follows during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Purpose restrictions		
Scholarships	\$ 1,105,643	\$ 1,254,460
Programs, projects and other initiatives	<u>1,195,029</u>	<u>665,697</u>
	2,300,672	1,920,157
Time restrictions		
Pooled income distribution and capital asset releases	<u>210,555</u>	<u>962,483</u>
	<u>\$ 2,511,227</u>	<u>\$ 2,882,640</u>

14. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 16,605,564	\$ 16,432,932
Programs	14,418,705	14,417,505
Capital projects and preservation	147,072	147,072
Other	<u>47,593</u>	<u>47,593</u>
	<u>\$ 31,218,934</u>	<u>\$ 31,045,102</u>

15. CONTINGENCIES

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

During fiscal year 2016, World Learning determined that certain study abroad programs may be subject to a local service tax. World Learning is working with local counsel on self-disclosing the liability. The total estimated service tax liability and related interest was \$571,673 as at June 30, 2016, and is included within accounts payable and accrued expenses in the 2016 consolidated statement of financial position.