

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

World Learning, Inc.

June 30, 2020 and 2019

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GRANT THORNTON LLP

75 State Street
13th Floor
Boston, MA 02109

D +1 617.723.7900
F +1 617.723.3640

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**Report on the financial statements**

We have audited the accompanying consolidated financial statements of World Learning, Inc. (a nonprofit organization) and subsidiaries (“World Learning”), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 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 entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Learning, Inc. and subsidiaries as of June 30, 2020 and 2019, 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.

Other matters*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Financial Responsibility Supplemental Schedule as of and for the year ended June 30, 2020, as required by the U.S. Department of Education's (ED) Final Rule: *Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Direct Loan Programs* is presented for purposes of additional analysis and not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Boston, Massachusetts
November 30, 2020, except for the Financial Responsibility
Supplemental Schedule, which is as of January 6, 2021

World Learning, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,377,498	\$ 4,752,492
Accounts and notes receivable, net	4,719,998	10,106,819
Contributions receivable, net	2,174,263	401,267
Prepaid expenses and other assets	1,871,405	5,692,621
Investments	46,646,804	48,090,451
Property, plant and equipment, net	<u>5,015,977</u>	<u>4,279,603</u>
Total assets	<u><u>\$ 66,805,945</u></u>	<u><u>\$ 73,323,253</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 6,914,736	\$ 7,509,236
Advance payments, deferred revenue and other liabilities	7,102,102	13,402,921
Borrowings under line of credit	-	5,862,435
Government loan	<u>4,876,000</u>	<u>-</u>
Total liabilities	<u>18,892,838</u>	<u>26,774,592</u>
 Commitments and contingencies (Notes 11 and 15)		
NET ASSETS		
Without donor restrictions	7,646,662	5,565,839
With donor restrictions	<u>40,266,445</u>	<u>40,982,822</u>
Total net assets	<u>47,913,107</u>	<u>46,548,661</u>
Total liabilities and net assets	<u><u>\$ 66,805,945</u></u>	<u><u>\$ 73,323,253</u></u>

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

(With summarized information for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues and other support				
Operating revenue				
Tuition and program fees	\$ 46,417,466	\$ -	\$ 46,417,466	\$ 52,150,620
Less scholarships	(3,469,392)	-	(3,469,392)	(3,709,557)
Net tuition and program fees	42,948,074	-	42,948,074	48,441,063
Grants and contracts				
Federal government grants and contracts	55,564,377	-	55,564,377	65,122,129
Other grants and contracts	4,190,299	-	4,190,299	2,319,583
Investment return availed under spending policy	2,003,970	787,459	2,791,429	3,209,423
Contributions	1,635,262	264,995	1,900,257	1,441,890
Other revenue	243,005	-	243,005	698,145
Net assets released from restrictions	2,701,330	(2,701,330)	-	-
Total operating revenues and other support	109,286,317	(1,648,876)	107,637,441	121,232,233
Expenses				
Operating expense				
Education and general				
Program and instruction	32,861,719	-	32,861,719	37,866,944
Program support	2,911,278	-	2,911,278	3,301,735
Student services	954,934	-	954,934	1,347,891
Grants and contracts				
Federal government grants and contracts	55,469,703	-	55,469,703	65,122,129
Other grants and contracts	3,967,721	-	3,967,721	2,404,234
Auxiliary services	61,944	-	61,944	192,278
General support	10,262,318	-	10,262,318	11,153,656
Interest on indebtedness	58,476	-	58,476	196,053
Other	45,233	-	45,233	148,615
Total operating expense	106,593,326	-	106,593,326	121,733,535
Change in net assets from operations	2,692,991	(1,648,876)	1,044,115	(501,302)
Non-operating revenue (expense):				
Investment income, net of amounts availed	(395,877)	(1,158,557)	(1,554,434)	(1,586,559)
Contributions	-	2,093,621	2,093,621	35,562
Gain (loss) from sale and disposal of property	100	-	100	(93,867)
(Losses) gains on foreign currency transactions	(215,634)	-	(215,634)	979,120
Other non-operating (losses) gains	(757)	(2,565)	(3,322)	31,081
Total non-operating revenue (expense)	(612,168)	932,499	320,331	(634,663)
Change in net assets	2,080,823	(716,377)	1,364,446	(1,135,965)
NET ASSETS, Beginning of year	5,565,839	40,982,822	46,548,661	47,684,626
NET ASSETS, End of year	\$ 7,646,662	\$ 40,266,445	\$ 47,913,107	\$ 46,548,661

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenues and other support			
Operating revenue			
Tuition and program fees	\$ 52,150,620	\$ -	\$ 52,150,620
Less scholarships	(3,709,557)	-	(3,709,557)
Net tuition and program fees	48,441,063	-	48,441,063
Grants and contracts			
Federal government grants and contracts	65,122,129	-	65,122,129
Other grants and contracts	2,319,583	-	2,319,583
Investment return availed under spending policy	2,120,113	1,089,310	3,209,423
Contributions	542,299	899,591	1,441,890
Auxiliary services	76,720	-	76,720
Other revenue	621,425	-	621,425
Net assets released from restrictions	2,593,786	(2,593,786)	-
Total operating revenues and other support	121,837,118	(604,885)	121,232,233
Expenses			
Operating expense			
Education and general			
Program and instruction	37,866,944	-	37,866,944
Program support	3,301,735	-	3,301,735
Student services	1,347,891	-	1,347,891
Grants and contracts			
Federal government grants and contracts	65,122,129	-	65,122,129
Other grants and contracts	2,404,234	-	2,404,234
Auxiliary services	192,278	-	192,278
General support	11,153,656	-	11,153,656
Interest on indebtedness	196,053	-	196,053
Other	148,615	-	148,615
Total operating expense	121,733,535	-	121,733,535
Change in net assets from operations	103,583	(604,885)	(501,302)
Non-operating revenue (expense)			
Investment income, net of amounts availed	(184,182)	(1,402,377)	(1,586,559)
Contributions	-	35,562	35,562
Loss from sale and disposal of property	(93,867)	-	(93,867)
Gains from foreign currency transactions	979,120	-	979,120
Other non-operating expenses	13,081	18,000	31,081
Total non-operating revenue (expense)	714,152	(1,348,815)	(634,663)
Change in net assets	817,735	(1,953,700)	(1,135,965)
NET ASSETS, Beginning of year	4,748,104	42,936,522	47,684,626
NET ASSETS, End of year	\$ 5,565,839	\$ 40,982,822	\$ 46,548,661

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

World Learning, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,364,446	\$ (1,135,965)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,131,329	1,002,402
Change in allowance for uncollectible contributions receivable and other accounts receivable	152,017	(74,320)
Net unrealized and realized gains on investments	(1,236,995)	(1,622,865)
Contributions restricted for long-term investments	(2,093,621)	(28,437)
Capital gift contributions	-	(7,125)
(Gain) loss from sale and disposal of property	(100)	93,867
Change in operating assets and liabilities		
Prepaid expenses and other assets	3,821,217	256,543
Accounts and other receivables	5,362,901	2,103,101
Contributions receivable	(403,093)	205,613
Accounts payable and accrued expenses	(676,494)	(1,012,281)
Advance payments, deferred revenue and other liabilities	(6,223,884)	5,271,956
Net cash provided by operating activities	1,197,722	5,052,489
Cash flows from investing activities:		
Purchases of property and equipment	(1,867,604)	(963,420)
Purchases of investments	(561,048)	(2,852,304)
Proceeds from sale of investments	3,246,749	5,298,459
Net cash provided by investing activities	818,098	1,482,735
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investments	595,622	28,437
Proceeds from (payments to) Federal loan	4,876,000	(182,815)
Net (payments on) proceeds from line of credit	(5,862,436)	(5,741,984)
Net cash used in financing activities	(390,814)	(5,896,362)
Net increase in cash and cash equivalents	1,625,006	638,863
Cash and cash equivalents - beginning of year	4,752,492	4,113,629
Cash and cash equivalents - end of year	\$ 6,377,498	\$ 4,752,492
Supplemental disclosure		
Cash paid for interest	\$ 56,081	\$ 205,986

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Activities				Supporting Activities			Total Expenses
	Global Development and Exchange	School for International Training	Other Programs	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	
OPERATING EXPENSE:								
Salaries and benefits	\$ 15,333,333	\$ 15,184,973	\$ 1,236,311	\$ 31,754,617	\$ 4,643,976	\$ 1,115,498	\$ 5,759,474	\$ 37,514,091
Professional services	2,946,153	789,023	87,912	3,823,088	1,011,995	64,131	1,076,126	4,899,214
Office, supplies, and occupancy	2,141,955	2,279,320	155,391	4,576,666	692,437	138,302	830,739	5,407,405
Travel, conferences, and meetings	1,902,974	1,073,442	260,815	3,237,231	69,269	28,902	98,171	3,335,402
Interest	-	-	-	-	58,476	-	58,476	58,476
Depreciation, depletion, and amortization	397,656	435,212	73,094	905,962	191,467	33,900	225,367	1,131,329
Sub-grants and sub-contracts	8,807,104	-	66,973	8,874,077	-	-	-	8,874,077
Program expenses	23,905,632	16,186,731	3,157,056	43,249,419	-	-	-	43,249,419
Other expenses	69,309	918,772	59,574	1,047,655	708,538	367,720	1,076,258	2,123,913
Total operating expense	\$ 55,504,116	\$ 36,867,473	\$ 5,097,126	\$ 97,468,715	\$ 7,376,158	\$ 1,748,453	\$ 9,124,611	\$ 106,593,326

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Program Activities				Supporting Activities			Total Expenses
	Global Development and Exchange	School for International Training	Other Programs	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	
OPERATING EXPENSE:								
Salaries and benefits	\$ 18,140,327	\$ 16,997,147	\$ 1,155,136	\$ 36,292,610	\$ 5,469,215	\$ 1,045,640	\$ 6,514,855	\$ 42,807,465
Professional services	3,300,147	788,221	158,872	4,247,240	923,148	73,964	997,112	5,244,352
Office, supplies, and occupancy	2,964,904	2,388,145	209,409	5,562,458	1,003,228	146,012	1,149,240	6,711,698
Travel, conferences, and meetings	2,999,637	1,491,267	362,134	4,853,038	145,269	67,302	212,571	5,065,609
Interest	-	-	-	-	196,053	-	196,053	196,053
Depreciation, depletion, and amortization	321,560	402,441	93,375	817,376	155,241	29,785	185,026	1,002,402
Sub-grants and sub-contracts	7,972,225	-	29,853	8,002,078	-	-	-	8,002,078
Program expenses	27,425,233	20,139,232	2,806,913	50,371,378	-	-	-	50,371,378
Other expenses	494,833	1,144,317	4,713	1,643,863	521,112	167,525	688,637	2,332,500
Total operating expense	\$ 63,618,866	\$ 43,350,770	\$ 4,820,405	\$ 111,790,041	\$ 8,413,266	\$ 1,530,228	\$ 9,943,494	\$ 121,733,535

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

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 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 development projects in over 50 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 (formerly known as The School for International Training), accredited by the New England Commission of Higher Education (“NECHE”), formerly the Commission on Institutions of Higher Education (“CIHE”) of the New England Association of Schools and Colleges (“NEASC”), 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 40 countries. International Honors Program (“IHP”) 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 Global Development and Exchange (“GDE”) division specializes in grassroots programs, mostly federally funded, to build local capabilities through development, training, and exchange projects.

As a result of the outbreak of COVID-19 and the disruption in domestic and global travel, all study abroad and visitor programs scheduled to depart after March 2020 were cancelled. It is uncertain when it will be possible for programs to operate. In response, management implemented cost savings and other measures to drastically reduce operating expenses and ensure adequate liquidity. In addition, World Learning applied for and received various federal and state grants/loan. Given the uncertainty around the pandemic’s duration, the full operational and financial impact of COVID-19 cannot be determined at this time.

NOTE 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.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Basis of Presentation

Classification and Reporting of Net Assets

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired.

With donor restrictions - Net assets subject to donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the Organization. Also included in this category are net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but may permit the Organization to use or expend part or all of the economic benefits derived from the donated assets.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in net assets without donor restrictions 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 net assets without donor restrictions contributions 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 increases in net assets with donor restrictions. Donor restricted net assets are reclassified to net assets without donor restrictions 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 investments are reported as operating revenue by applying a Board approved spending rates of 6% and 7% in fiscal years 2020 and 2019, respectively, to the rolling twelve quarters average fair value of the investment portfolio 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.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Income Taxes

World Learning follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

World Learning is exempt from federal income tax under Internal Revenue Code (“IRC”) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Certain of World Learning’s foreign subsidiaries are organized as taxable entities in their respective countries. World Learning has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. World Learning has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. In addition, World Learning has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

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 as investments (see Note 5).

Included in cash and cash equivalents at June 30, 2020 and 2019 were \$1,867,882 and \$2,771,681, 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 and include accrued income. The value of publicly traded securities is based upon quoted market prices and net asset values. Other securities, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers or appraisers. Management has established procedures in place to evaluate and monitor third-party valuations, including regular communication with fund managers, the review of partnership financial statements and monthly performance metrics, prior to investment and on a regular basis going forward. World Learning believes that these valuations are a reasonable estimate of fair value as of June 30, 2020 and 2019, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 \$83,354 and \$88,543 at June 30, 2020 and 2019, respectively, and is presented within accounts payable and accrued expenses in the consolidated statements of financial position.

Pooled Life Income Funds

World Learning is the beneficiary of pooled life income funds where the respective assets are controlled and invested by World Learning. World Learning recognizes its estimated remainder interest in the assets as donor restricted contribution revenue in the period in which the assets are received.

Charitable Reminder Unitrust

World Learning is the beneficiary of an irrevocable charitable reminder unitrust. World Learning recognizes its estimated remainder interest in the trust as donor-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, 2020 and 2019 were \$37,917 and \$1,668,402, 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.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 twelve 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.

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.

Tuition and Fees Revenue

The Organization recognizes tuition and fees revenue in the period which the educational instruction is performed. Accordingly, tuition and fees received in advance are deferred until the educational instruction is provided and related expenses incurred.

Contracts and Grants

Beginning in fiscal year 2020, with the adoption of ASU 2018-08, World Learning recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or not. For those recognized as contributions, revenue is recognized when a contract or grant becomes unconditional, that is, when the conditions on which they depend are substantially met. Contracts and grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenues in the statements of financial position.

If a contract or grant agreement contains a right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to overcome, World Learning recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met are reported as deferred revenues in the statements of financial position.

During fiscal year 2019, World Learning recognized revenue from external organizations for services provided. Revenues earned on grants and contracts were recognized as related costs were incurred.

Recovery of Indirect Costs

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. For financial reporting purposes, all reimbursable direct and indirect costs on Federal grants and contracts are classified together in grants and contracts expenses.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 2020 and 2019 were \$9,881,334 and \$9,463,118, respectively.

Allocation of facilities and administrative recovery between program support and general support for fiscal year 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Program support	\$ 9,093,041	\$ 9,376,110
Less: Facilities and administrative recovery	<u>(6,181,763)</u>	<u>(6,074,375)</u>
Program support, net	<u>\$ 2,911,278</u>	<u>\$ 3,301,735</u>
	<u>2020</u>	<u>2019</u>
General support	\$ 13,961,889	\$ 14,542,399
Less: Facilities and administrative recovery	<u>(3,699,571)</u>	<u>(3,388,743)</u>
General support, net	<u>\$ 10,262,318</u>	<u>\$ 11,153,656</u>

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 within net assets without donor restrictions in the consolidated statements of activities.

Fundraising Expenses

Fundraising costs of \$1,280,527 and \$1,317,167 for the years ended June 30, 2020 and 2019, respectively, were included with general support in the consolidated statements of activities.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Functional Expense Allocation

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, information technology, facilities management, occupancy, and salaries and benefits, which are allocated as follows:

<u>Expenses</u>	<u>Basis</u>
Depreciation related to buildings, land improvement, and vehicles:	Square footage
Depreciation related to furniture, equipment, and software:	Headcount
Salaries and benefits:	Timesheet
Information technology:	Headcount
Facilities management:	Square footage

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.

Subsequent Events

World Learning has evaluated events and transactions for potential recognition or disclosure through November 30, 2020, which was the date these consolidated financial statements were available to be issued.

Recently Adopted Accounting Pronouncements

Contributions Received and Contributions Made (“ASU 2018-08”)

In July 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”). The ASU provides (1) a framework for determining whether a particular transaction is an exchange or a contribution and (2) guidance to assist entities in determining whether a contribution is either conditional or unconditional. The ASU was effective for fiscal year 2020 for World Learning. The adoption of ASU 2018-08 did not have a material impact on World Learning’s consolidated financial statements.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The objective of the new guidance is to establish the principles to report useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers. In June 2020, the FASB issued ASU 2020-05, which included a deferral by one year of the effective date of ASU 2014-09, to the year ending June 30, 2021, for World Learning. World Learning does not believe the adoption of this guidance will have a material impact on its consolidated financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definitions of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. The new standard is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or enter into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of the initial application. In June 2020, the FASB issued ASU 2020-05, which included a deferral by one year of the effective date of ASU 2016-02, to the year ending June 30, 2022, for World Learning. World Learning has not yet determined the effect of the adoption of this guidance will have on the consolidated financial statements.

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable, net, at June 30, 2020 and 2019, consisted of:

	<u>2020</u>	<u>2019</u>
Federal grants and contracts	\$ 3,724,374	\$ 8,559,285
Student loans	192,958	200,873
Programs and students	108,287	197,369
Private grants and contracts	451,420	781,558
Other receivables	443,113	543,969
Allowance for uncollectible accounts	<u>(200,154)</u>	<u>(176,235)</u>
	<u>\$ 4,719,998</u>	<u>\$ 10,106,819</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 grants and contracts receivable was \$389,013 and \$1,449,066 as of June 30, 2020 and 2019, respectively.

World Learning makes uncollateralized loans to students based on financial need. Student loans are funded through Federal loan programs and institutional resources.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

At June 30, student loans consisted of the following:

	2020	2019
Institutional loan	\$ 192,958	\$ 200,873
Allowance for uncollectible accounts	(142,890)	(101,690)
Student loans receivable, net	\$ 50,068	\$ 99,183

At June 30, 2020 and 2019, the following amounts were past due under student loan programs:

	1-60 Days past due	60-90 Days past due	90+ Days past due	Total past due
2020	\$ -	\$ -	\$ 106,493	\$ 106,493
2019	\$ -	\$ -	\$ 84,536	\$ 84,536

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.

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, at June 30, 2020 and 2019, consisted of:

	2020	2019
Amounts:		
Due within one year	\$ 918,563	\$ 412,867
Due within two to five years	1,546,000	151,500
	2,464,563	564,367
Less:		
Unamortized discount	(209,469)	(7,297)
Allowance for uncollectible pledges	(80,831)	(155,803)
	\$ 2,174,263	\$ 401,267

The discount rate used to measure contributions receivable at their present value range from 2.225% to 4.475% at June 30, 2020 and 2019, respectively.

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.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 - INVESTMENTS

The fair value of investments at June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Cash equivalents	\$ 3,601,916	\$ 3,860,637
Fixed-income strategies	8,006,197	7,924,516
Equity strategies	22,318,618	21,901,008
Asset allocation strategies	-	1,282,296
Alternative strategies		
Hedge funds	9,387,738	9,686,808
Private equity funds	2,113,512	1,693,911
Real estate funds	430,818	482,656
Energy infrastructure funds	6,691	11,220
Mutual funds	582,706	1,046,225
	\$ 46,448,196	\$ 47,889,277

Also included in investments on the consolidated statements of financial position at June 30, 2020 and 2019 was \$198,608 and \$201,174, respectively, of investments related to beneficial interest in remainder trusts.

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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 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.

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.

Energy Infrastructure Funds

Energy infrastructure funds include investments in portfolios of fixed-income and equity securities issued by power and energy infrastructure companies. The funds seek total return through current income and capital appreciation.

Alternative Mutual Funds

Alternative mutual funds are publicly offered, SEC-registered mutual funds that hold non-traditional investments or use complex investment and trading strategies. These strategies may include, but are not limited to, shorting securities, holding concentrated positions, buying and selling options, pairs trading and hedging portfolio risk using market indices.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Investment Return

A summary of World Learning's return on investments net of investment management fees in 2020 and 2019, follows:

	<u>2020</u>	<u>2019</u>
Dividends and interest income, net	\$ 832,896	\$ 920,694
Net realized losses on sales of investments	(597,672)	(342,170)
Net unrealized gains on investments	<u>1,001,771</u>	<u>1,044,340</u>
Total investment return	1,236,995	1,622,864
Availed for operations under spending policy	<u>(2,791,429)</u>	<u>(3,209,423)</u>
	<u>\$ (1,554,434)</u>	<u>\$ (1,586,559)</u>

NOTE 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 - Inputs that reflect 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; and
- Level 3 - Inputs that are unobservable, 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.

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.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Alternative Investments

The Organization's alternative investments consist of private equity and hedge funds as well as real estate, commodities, energy infrastructure, and mutual 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 most recent valuations provided by the external investment managers. Because of inherent uncertainties in the valuation process, the investment managers' estimates 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 believes 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, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

World Learning has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2020 as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other inputs (Level 3)	Measured at NAV†	Total
Investments					
Fixed income strategies	\$ 5,970,492	\$ 2,035,704	\$ -	\$ -	\$ 8,006,197
Equity strategies	22,318,618	-	-	-	22,318,618
Alternative strategies					
Hedge funds	-	-	-	9,387,738	9,387,738
Private equity funds	-	-	-	2,113,512	2,113,512
Real estate funds	319,262	-	-	111,556	430,818
Energy infrastructure funds	6,691	-	-	-	6,691
Mutual funds	582,706	-	-	-	582,706
Total - alternative strategies	908,659	-	-	11,612,806	12,521,465
Total - investments*	\$ 29,197,769	\$ 2,035,704	\$ -	\$ 11,612,806	\$ 42,846,280
Beneficial interest in remainder trusts	\$ -	\$ -	\$ 198,608	\$ -	\$ 198,608

* Cash equivalents are not required to be leveled under U.S. GAAP and totaled \$3,601,916 at June 30, 2020.

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

World Learning has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2019 as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other inputs (Level 3)	Measured at NAV†	Total
Investments					
Fixed income strategies	\$ 6,057,074	\$ 1,867,442	\$ -	\$ -	\$ 7,924,516
Equity strategies	21,901,008	-	-	-	21,901,008
Asset allocation strategies	1,282,296	-	-	-	1,282,296
Alternative strategies					
Hedge funds	-	-	-	9,686,808	9,686,808
Private equity funds	-	-	-	1,693,911	1,693,911
Real estate funds	332,108	-	-	150,548	482,656
Energy infrastructure funds	11,220	-	-	-	11,220
Mutual funds	1,046,225	-	-	-	1,046,225
Total - alternative strategies	1,389,553	-	-	11,531,267	12,920,820
Total - investments*	\$ 30,629,931	\$ 1,867,442	\$ -	\$ 11,531,267	\$ 44,028,640
Beneficial interest in remainder trusts	\$ -	\$ -	\$ 201,174	\$ -	\$ 201,174
Forward currency contract asset	\$ -	\$ 68,065	\$ -	\$ -	\$ 68,065

* Cash equivalents are not required to be leveled under U.S. GAAP and totaled \$3,860,637 at June 30, 2019.

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

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

The liquidity of the investment portfolio, expressed in time periods over which investments can be converted to cash, was as follows at June 30, 2020 and 2019:

	2020	2019
Less than 30 days	\$ 33,926,730	\$ 34,968,457
Greater than 30 days-less than 1 year	10,296,397	11,076,361
Greater than 1 year	2,225,068	1,844,459

The table below presents additional information regarding investments, whose fair value is estimated using the practical expedient of reported NAV, as of June 30, 2020.

	Fair value	Unfunded commitments	Redemption periods of liquidation	No. of days' notice
Hedge funds	\$ 9,387,738	\$ -	Qtrly-Yearly	30-90 days
Private equity funds	2,113,512	2,957,330	Illiquid	N/A
Real estate funds	111,556	86,000	Illiquid	N/A
Total	\$ 11,612,806	\$ 3,043,330		

The table below presents additional information regarding investments, whose fair value is estimated using the practical expedient of reported NAV, as of June 30, 2019.

	Fair value	Unfunded commitments	Redemption periods of liquidation	No. of days' notice
Hedge funds	\$ 9,686,808	\$ -	Qtrly-Yearly	30-90 days
Private equity funds	1,693,911	251,000	Illiquid	N/A
Real estate funds	150,548	18,327	Illiquid	N/A
Total	\$ 11,531,267	\$ 269,327		

NOTE 7 - ENDOWMENT FUNDS

World Learning's endowment consists of approximately 80 individual funds established for a variety of purposes, including donor-restricted endowment funds and prior to May 2019 also included funds designated by the Board of Trustees to function as endowments (quasi-endowment).

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Interpretation of Relevant Law

World Learning has continued to follow its policy, under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), of requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, World Learning classifies as net assets with donor restrictions (a) the original value of gifts donated to permanent endowment, (b) the original value of subsequent gifts to permanent endowment, if any, and (c) accumulations to permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until they are appropriated for expenditure in a manner consistent with the donor's intentions, World Learning's spending policy and in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the original value. At June 30, 2020, the fair value of five endowment accounts was less than original value (underwater) by a total of \$141,562, which together had an original gift value of \$4,020,201 and a current fair value of \$3,878,639. At June 30, 2019, the fair value of three endowment accounts was less than original value (underwater) by a total of \$49,475, which together had an original gift value of \$2,283,997 and a current fair value of \$2,234,522.

Endowment Investment and Spending Policy

The endowment fund is used to support the operations of World Learning. Endowment fund investments and other assets in the investment portfolio 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 directs the Investment Committee with input from World Learning Staff to set a spending rate each year at the winter Board meeting. For the years ended June 30, 2020 and 2019, World Learning employed a spending model rate of 6% and 7%, respectively, based on a twelve quarter trailing average of the fair value of the investment portfolio as of March 31 of the prior fiscal year. The spending policy is designed to provide a stable level of financial support and to preserve the real value of the endowment.

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 net assets with donor restrictions. The underwater amount of endowment funds is reported as net assets with donor restrictions.

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 totaled \$38,588,167 and \$38,277,611 at June 30, 2020 and 2019, respectively, and were included within with donor restricted net assets.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

	With donor restrictions		
Net endowment assets June 30, 2019			\$ 38,277,610
Investment return, net management fees			1,024,954
Contributions			2,093,622
Withdrawals			(2,526,145)
Other			(281,874)
Net endowment assets June 30, 2020			\$ 38,588,167
	Without donor restrictions	With donor restrictions	Total
Net endowment assets June 30, 2018	\$ 5,378,726	\$ 39,955,602	\$ 45,334,328
Investment return, net management fees	-	1,440,596	1,440,596
Contributions	-	28,437	28,437
Withdrawals	-	(3,097,741)	(3,097,741)
Other	-	(49,284)	(49,284)
Removal of board restrictions	(5,378,726)	-	(5,378,726)
Net endowment assets June 30, 2019	\$ -	\$ 38,277,610	\$ 38,277,610

NOTE 8 - DERIVATIVES

World Learning's use of derivatives is limited to forward currency contracts. There were no outstanding forward contracts at June 30, 2020.

The notional value of open contracts, which were scheduled to mature at various dates from July 2019 to November 2019, was approximately \$3.9 million at June 30, 2019. The fair value of the forward currency contracts at June 30, 2019 was in an asset position of \$68,065 and is included within prepaid expenses and other assets in the statement of financial position.

NOTE 9 - DEBT

Lines of Credit

World Learning has available 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 2.25% and 4.48% at June 30, 2020 and 2019, respectively). This line of credit is subject to annual renewal in January and prior to expiration management intends to renew this line of credit at similar terms.

The outstanding balance on the line of credit as of June 30, 2020 and June 30, 2019 was \$0 and \$5,862,435, respectively.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Government Loan

In April 2020, World Learning was granted a loan (the "Loan") in the aggregate amount of \$4,876,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

The Loan, which was in the form of a note dated April 20, 2020, matures on April 20, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on April 20, 2021. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for certain costs, such as payroll costs, rent, and utility expenses. The Organization intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Land	\$ 479,922	\$ 479,922
Land improvements	738,183	763,619
Buildings and building improvements	9,636,051	9,216,623
Furniture and equipment	10,598,608	10,016,025
Equipment under capital leases	669,542	669,542
Motor vehicles	144,087	170,258
	22,266,393	21,315,989
Less: Accumulated depreciation and amortization	(17,250,416)	(17,036,386)
	\$ 5,015,977	\$ 4,279,603

Depreciation expense was \$1,131,329 and \$1,002,402 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 - LEASES

World Learning is obligated under non-cancelable operating leases for program and support facilities. Future minimum lease payments as of June 30, 2020, follow:

Year ending June 30,

2021	\$ 1,680,483
2022	1,722,495
2023	1,765,558
2024	1,809,696
2025	1,854,939
Thereafter	2,061,711
Total payments	\$ 10,894,882

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

Rental expense for operating leases, including tenant-at-will leases, was \$2,361,915 and \$3,043,319 for the years ended June 30, 2020 and 2019, respectively.

NOTE 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. Retirement plan expense was \$935,824 and \$963,437 for the years ended June 30, 2020 and 2019, respectively.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 were comprised of the following:

	2020	2019
Subject to purpose and time restrictions:		
Scholarships	\$ 829,367	\$ 1,329,188
Programs	574,733	990,204
Capital and preservation	12,011	69,012
Other purposes	113,708	356,135
Time restrictions	420,833	573,243
	1,950,652	3,317,782
Endowment returns subject to future appropriation:		
Scholarships	2,618,924	3,136,441
Programs	2,258,472	2,800,631
Capital projects and preservation, and others	55,258	62,366
	4,932,654	5,999,438
Amounts with perpetual restrictions:		
Scholarships	18,621,562	16,839,574
Programs	14,687,539	14,671,839
Capital projects and preservation, and others	160,072	156,072
Other purposes	55,528	47,592
	33,524,701	31,715,077
Underwater funds	(141,562)	(49,475)
Total net assets with donor restrictions	\$ 40,266,445	\$ 40,982,822

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.

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions		
Scholarships	\$ 1,177,642	\$ 1,533,039
Programs, projects and other initiatives	<u>1,204,742</u>	<u>974,730</u>
	2,382,384	2,507,769
Time restrictions		
Pooled income distribution and capital asset releases	<u>318,946</u>	<u>86,017</u>
	<u>\$ 2,701,330</u>	<u>\$ 2,593,786</u>

NOTE 14 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of World Learning's liquidity management, the financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

In order to manage seasonal cash flow variations, World Learning maintains a \$15,000,000 unsecured line of credit.

The organization's financial assets available to management for general expenditure within one year as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 6,377,498	\$ 4,752,492
Accounts and notes receivable, net	4,719,998	10,106,819
Contributions receivable, net	2,174,263	401,267
Investments	<u>46,646,804</u>	<u>48,090,451</u>
Financial assets at year end	59,918,563	63,351,029
Add:		
Net fiscal year endowment spending allocation for expenditure	<u>1,529,517</u>	<u>1,830,939</u>
Less:		
Accounts and notes receivable collectible beyond one year	(238,467)	(307,115)
Restricted by donor with time or purpose restrictions	<u>(40,067,837)</u>	<u>(40,820,910)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,141,776</u>	<u>\$ 24,053,943</u>

World Learning, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 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.

SUPPLEMENTARY INFORMATION

World Learning, Inc.

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

Year ended June 30, 2020

Primary Reserve Ratio

Expendable net assets			
Net assets without donor restrictions	\$ 7,646,682		Statement of financial position
Net assets with donor restrictions	40,266,445		Statement of financial position
Less: endowment restricted in perpetuity	(33,524,701)		Footnote 13
Less: land, buildings and equipment, net	(5,015,977)		Statement of financial position
Bonds payable, net	-		Statement of financial position
Total expendable net assets	<u>9,372,449</u>		
Total expenses			
Expenses and investment losses without donor restrictions	106,593,326		Statement of activities
Less: losses on investments without donor restrictions	(395,877)		Statement of activities
Total expenses	<u>106,197,449</u>		

Primary Reserve Ratio

0.0883

Equity Ratio

Modified net assets			
Net assets without donor restrictions	\$ 7,646,682		Statement of financial position
Net assets with donor restrictions	40,266,445		Statement of financial position
Total modified net assets	<u>47,913,127</u>		
Modified assets			
Total assets	<u>66,805,945</u>		Statement of financial position
Total modified assets	<u>66,805,945</u>		

Equity Ratio

0.7172

Net Income Ratio

Change in net assets without donor restrictions	\$ 2,080,823		Statement of activities
Total revenue without donor restrictions	109,286,317		Statement of activities

Net Income Ratio

0.0190

	<u>Ratio</u>	<u>Strength</u>	<u>Weight</u>	<u>Composite</u>
Primary reserve	0.0883	0.8825	40%	0.4
Equity	0.7172	3.0000	40%	1.2
Net income	0.0190	1.9520	20%	0.4
Financial Responsibility Composite Score (maximum of 3.0)				<u><u>2.0</u></u>

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 10 x the primary ratio reserve result.

Equity strength factor score = 6 x the equity ratio result

Negative net income ratio result: net income strength factor: Net income strength factor = 1 + (25 x net income ratio result)

Positive net income ratio result: net income strength factor: Net income strength factor = 1 + (50 x net income ratio result)

Zero net income ratio result: net income strength factor: Net income strength factor = 1

If the strength factor for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor for any ratio is greater than or equal to -1, the strength factor score for the ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores:

Primary reserve weighted score = 40% x the primary reserve strength factor score

Equity weighted score = 40% x the equity strength factor score

Net income weighted score = 20% x the net income strength factor score

Composite score = the sum of all weighted scores

Round the composite score to one digit after the decimal point to determine the final score