

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

World Learning, Inc.

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
World Learning, Inc.

We have audited the accompanying consolidated financial statements of World Learning, Inc. (a nonprofit organization) and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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, 2021 and 2020, 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 consolidated statement of operating revenues and expenses for the year ended June 30, 2021, is presented for purposes of additional analysis and is 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.

Grant Thornton LLP

Boston, Massachusetts
December 17, 2021

World Learning, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 7,689,816	\$ 6,377,498
Accounts and notes receivable, net	5,340,123	4,719,998
Contributions receivable, net	1,365,531	2,174,263
Prepaid expenses and other assets	2,020,822	1,871,405
Investments	49,094,884	46,646,804
Property, plant and equipment, net	3,999,554	5,015,977
Total assets	\$ 69,510,730	\$ 66,805,945
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 6,391,227	\$ 6,914,736
Advance payments, deferred revenue and other liabilities	6,192,573	7,102,102
Paycheck Protection Program ("PPP") loans	1,999,999	4,876,000
Total liabilities	14,583,799	18,892,838
Commitments and contingencies (Notes 11 and 15)		
Net assets		
Without donor restrictions	6,939,096	7,646,662
With donor restrictions	47,987,835	40,266,445
Total net assets	54,926,931	47,913,107
Total liabilities and net assets	\$ 69,510,730	\$ 66,805,945

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

World Learning, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2021

(With summarized information for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues and other support				
Operating revenue				
Tuition and program fees, net of scholarships of \$850,759 and \$3,469,392 during 2021 and 2020	\$ 3,831,643	\$ -	\$ 3,831,643	\$ 42,948,074
Grants and contracts				
Federal government grants and contracts	39,100,218	-	39,100,218	55,564,377
Other grants and contracts	2,000,385	-	2,000,385	4,190,299
Investment return availed under spending policy	1,681,540	661,881	2,343,421	2,791,429
Contributions	590,572	449,479	1,040,051	1,900,257
Other revenue	141,555	-	141,555	243,005
Net assets released from restrictions	1,284,855	(1,284,855)	-	-
Total operating revenues and other support	48,630,768	(173,495)	48,457,273	107,637,441
Expenses				
Operating expense				
Education and general				
Program and instruction	7,726,429	-	7,726,429	32,861,719
Program support	4,304,082	-	4,304,082	2,911,278
Student services	538,168	-	538,168	954,934
Grants and contracts				
Federal government grants and contracts	28,964,822	-	28,964,822	55,469,703
Other grants and contracts	1,465,980	-	1,465,980	3,967,721
Auxiliary services	450	-	450	61,944
General support	6,984,795	-	6,984,795	10,262,318
Interest on indebtedness	-	-	-	58,476
Other	289	-	289	45,233
Total operating expense	49,985,015	-	49,985,015	106,593,326
Change in net assets from operations	(1,354,247)	(173,495)	(1,527,742)	1,044,115
Non-operating revenue (expense)				
Investment income, net of amounts availed	736,337	7,639,532	8,375,869	(1,554,434)
Contributions	-	99,588	99,588	2,093,621
Other fund adjustments	(108,646)	108,646	-	-
Gain from sale and disposal of property	-	-	-	100
Losses on foreign currency transactions	(23,017)	-	(23,017)	(215,634)
Other non-operating gains (loses)	42,007	47,119	89,126	(3,322)
Total non-operating revenue	646,681	7,894,885	8,541,566	320,331
CHANGE IN NET ASSETS	(707,566)	7,721,390	7,013,824	1,364,446
Net assets - beginning of year	7,646,662	40,266,445	47,913,107	46,548,661
Net assets - end of year	\$ 6,939,096	\$ 47,987,835	\$ 54,926,931	\$ 47,913,107

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Operating revenue:			
Tuition and program fees, net of scholarships of \$3,469,392	\$ 42,948,074	\$ -	\$ 42,948,074
Grants and contracts:			
Federal government grants and contracts	55,564,377	-	55,564,377
Other grants and contracts	4,190,299	-	4,190,299
Investment return availed under spending policy	2,003,970	787,459	2,791,429
Contributions	1,635,262	264,995	1,900,257
Other revenue	243,005	-	243,005
Net assets released from restrictions	2,701,330	(2,701,330)	-
Total operating revenues and other support	<u>109,286,317</u>	<u>(1,648,876)</u>	<u>107,637,441</u>
Expenses			
Operating expense			
Education and general			
Program and instruction	32,861,719	-	32,861,719
Program support	2,911,278	-	2,911,278
Student services	954,934	-	954,934
Grants and contracts			
Federal government grants and contracts	55,469,703	-	55,469,703
Other grants and contracts	3,967,721	-	3,967,721
Auxiliary services	61,944	-	61,944
General support	10,262,318	-	10,262,318
Interest on indebtedness	58,476	-	58,476
Other	45,233	-	45,233
Total operating expense	<u>106,593,326</u>	<u>-</u>	<u>106,593,326</u>
Change in net assets from operations	<u>2,692,991</u>	<u>(1,648,876)</u>	<u>1,044,115</u>
Non-operating revenue (expense):			
Investment income, net of amounts availed	(395,877)	(1,158,557)	(1,554,434)
Contributions	-	2,093,621	2,093,621
Gain from sale and disposal of property	100	-	100
Losses on foreign currency transactions	(215,634)	-	(215,634)
Other non-operating losses	(757)	(2,565)	(3,322)
Total non-operating revenue (expense)	<u>(612,168)</u>	<u>932,499</u>	<u>320,331</u>
Change in net assets	<u>2,080,823</u>	<u>(716,377)</u>	<u>1,364,446</u>
NET ASSETS, Beginning of year	<u>5,565,839</u>	<u>40,982,822</u>	<u>46,548,661</u>
NET ASSETS, End of year	<u>\$ 7,646,662</u>	<u>\$ 40,266,445</u>	<u>\$ 47,913,107</u>

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

World Learning, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,013,824	\$ 1,364,446
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,039,870	1,131,329
PPP loan forgiveness	(4,876,000)	-
Change in allowance for uncollectible contributions receivable and other accounts receivable:	(25,760)	152,017
Net unrealized and realized gains on investments	(10,069,040)	(1,236,995)
Contributions restricted for long-term investments	(99,588)	(2,093,621)
Gain from sale and disposal of property	-	(100)
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(149,418)	3,821,217
Accounts and other receivables	(605,365)	5,362,901
Contributions receivable	819,732	(403,093)
Accounts payable and accrued expenses	(571,998)	(676,494)
Advance payments, deferred revenue and other liabilities	(909,529)	(6,223,884)
Net cash (used in) provided by operating activities	<u>(9,083,522)</u>	<u>1,197,722</u>
Cash flows from investing activities:		
Purchases of property and equipment	(23,445)	(1,867,604)
Purchases of investments	(848,640)	(561,048)
Proceeds from sales' of investments	<u>8,518,088</u>	<u>3,246,749</u>
Net cash provided by investing activities	<u>8,296,254</u>	<u>818,098</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investments	99,588	595,622
Proceeds from PPP loan	1,999,999	4,876,000
Net payments on line of credit	<u>-</u>	<u>(5,862,436)</u>
Net cash provided by (used in) financing activities	<u>2,099,586</u>	<u>(390,814)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,312,318	1,625,006
Cash and cash equivalents - beginning of year	<u>\$ 6,377,498</u>	<u>\$ 4,752,492</u>
Cash and cash equivalents - end of year	<u>\$ 7,689,816</u>	<u>\$ 6,377,498</u>
Supplemental disclosure:		
Cash paid for interest	\$ -	\$ 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, 2021

	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	\$ 13,900,272	\$ 8,617,770	\$ 640,225	\$ 23,158,267	\$ 4,021,269	\$ 422,161	\$ 4,443,430	\$ 27,601,697
Professional Services	1,793,773	513,532	38,042	2,345,347	836,096	64,958	901,054	3,246,401
Office, Supplies, and Occupancy	2,305,388	1,552,036	112,485	3,969,909	478,555	92,355	570,910	4,540,819
Travel, Conferences, and Meetings	75,191	38,803	-	113,994	1,497	-	1,497	115,491
Interest	-	-	-	-	-	-	-	-
Depreciation, depletion, and amortization	445,758	355,503	47,075	848,336	161,313	30,221	191,534	1,039,870
Sub-grants and Sub-Contracts	5,913,578	-	-	5,913,578	-	-	-	5,913,578
Program expenses	3,965,309	2,418,196	-	6,383,505	-	-	-	6,383,505
Other expenses	152,743	463,561	16,824	633,128	510,109	417	510,526	1,143,654
Total operating expense	\$ 28,552,012	\$ 13,959,401	\$ 854,651	\$ 43,366,064	\$ 6,008,839	\$ 610,112	\$ 6,618,951	\$ 49,985,015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 that explore a range of themes through an innovative comparative approach. Washington, D.C. based Global Development and Exchange (“GDE”) division specializes in grassroot 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, most study abroad and visitor programs in fiscal year 2021 were cancelled. It is uncertain when it will be possible for programs to resume operation at full capacity. 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/loans. 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 THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 those 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 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 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 rate of 5% and 6% in fiscal years 2021 and 2020, respectively, to the rolling 12 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.

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

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 a 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, 2021 and 2020 were \$1,562,714 and \$1,867,882, 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, 2021 and 2020, 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.

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

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

estimated liability related to charitable gift annuities was \$78,915 and \$83,354 at June 30, 2021 and 2020, 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 Remainder Unitrust

World Learning is the beneficiary of an irrevocable charitable remainder 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.

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.

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 over time, in the period in 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

At June 30, 2021 and 2020, the had deferred revenue of \$1,306,512 and \$646,362, respectively, relating to the Organization's performance obligation to transfer future enrollment and instructional services to students. For the years ended June 30, 2021 and 2020, the Organization recognized revenue of \$646,362 and \$3,978,019, respectively, from amounts that were included in deferred revenues at the beginning of the respective year. The changes in deferred revenues were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

The College has elected, as a practical expedient, not to disclose additional information about unsatisfied performance obligations for contracts with customers that have an expected duration of one year or less.

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 revenues are recognized as the services are provided or in the period to which they relate. Auxiliary services revenues and related expenses are reported within net assets without donor restrictions in the consolidated statements of activities.

Contracts and Grants

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 is classified as deferred revenue 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.

As of June 30, 2021, contracts and grants for which the contractual performance obligations have not yet been made or the right to recognize revenue is dependent on future events, totaled approximately \$137 million.

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.

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 rates ("indirect rates") with its cognizant Federal agency. During the fiscal year, the organization recovers indirect revenue per the approved provisional indirect rate. When indirect revenue recovered exceeds actual indirect costs, the organization recognizes a liability for over-recovered indirect revenue. When actual

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

indirect costs exceed indirect revenue recovered using the provisional indirect rate, the organization 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 2021 and 2020 were \$5,887,075 and \$9,881,334, respectively.

Allocation of facilities and administrative recovery between program support and general support for fiscal year 2021 and 2020 is summarized as follows:

	2021	2020
Program support	\$ 6,379,276	\$ 9,093,041
Less: facilities and administrative recovery	(2,075,194)	(6,181,763)
Program support, net	\$ 4,304,082	\$ 2,911,278
	2021	2020
General support	\$ 10,796,676	\$ 13,961,889
Less: facilities and administrative recovery	(3,811,881)	(3,699,571)
General support, net	\$ 6,984,795	\$ 10,262,318

Fundraising Expenses

Fundraising costs of \$486,314 and \$1,280,527 for the years ended June 30, 2021 and 2020, respectively, were included with general support in the consolidated statements of activities.

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:

Expenses	Basis
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents and investments on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit. Management does not believe that a significant risk of loss due to the failure of a financial institution the Organization utilizes is likely.

Subsequent Events

World Learning has evaluated events and transactions for potential recognition or disclosure through December 17, 2021, which was the date these consolidated financial statements were available to be issued.

Recently Adopted 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. World Learning applied the standard at the beginning of fiscal year 2021, using the modified retrospective transition method. The adoption of ASU 2014-09 did not have a material impact on World Learning's consolidated financial statements.

Recently Issued Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*. The new standard requires the recognition of assets (right-of-use assets) and liabilities arising from lease transactions on the statement of financial position and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. The new guidance will classify leases as either finance or operating leases, with classification determining the presentation of expenses and cash flows on the Organization's consolidated financial statements. For non-public entities, the amendment is effective for financial periods beginning after December 15, 2021 with early adoption permitted. The Organization is in the process of evaluating the impact of this pronouncement, which is expected to result in an increase in assets and liabilities on the consolidated statement of financial position. The Organization's lease commitments are included in Note 10. Adoption is not expected to have a material impact on the Organization's results of operations.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Gifts-In-Kind

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 will be effective for the Organization for the year ended June 30, 2022. The Organization does not expect adoption of this standard to have a material impact on its consolidated financial statements.

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable, net, at June 30, 2021 and 2020, consisted of:

	<u>2021</u>	<u>2020</u>
Federal grants and contracts	\$ 4,082,723	\$ 3,724,374
Student loans	191,192	192,958
Programs and students	68,939	108,287
Private grants and contracts	261,673	451,420
Other receivables	920,991	443,113
Allowance for uncollectible accounts	<u>(185,395)</u>	<u>(200,154)</u>
	<u>\$ 5,340,123</u>	<u>\$ 4,719,998</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 \$283,699 and \$389,013 as of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Institutional loan	\$ 191,192	\$ 192,958
Allowance for uncollectible accounts	<u>(139,490)</u>	<u>(142,890)</u>
Student loans receivable, net	<u>\$ 51,702</u>	<u>\$ 50,068</u>

At June 30, 2021 and 2020, 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>
2021	\$ -	\$ -	\$ 131,380	\$ 131,380
2020	\$ -	\$ -	\$ 106,493	\$ 106,493

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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 4 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, at June 30, 2021 and 2020 consisted of:

	2021	2020
Amounts		
Due within one year	\$ 79,831	\$ 918,563
Due within two to five years	1,565,000	1,546,000
	1,644,831	2,464,563
Less		
Unamortized discount	(197,160)	(209,469)
Allowance for uncollectible pledges	(82,140)	(80,831)
	\$ 1,365,531	\$ 2,174,263

The discount rate used to measure contributions receivable at their present value was 2.225% both at June 30, 2021 and 2020.

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.

As of June 30, 2021 and 2020 contributions receivable from one donor were approximately 90% and 56%, respectively of contributions receivable, net.

NOTE 5 - INVESTMENTS

The fair value of investments at June 30, 2021 and 2020 is summarized as follows:

	2021	2020
Cash equivalents	\$ 1,226,682	\$ 3,601,916
Fixed-income strategies	6,453,859	8,006,197
Equity strategies	25,550,769	22,318,618
Alternative strategies		
Hedge funds	11,509,511	9,387,738
Private equity funds	2,835,169	2,113,512
Real estate funds	327,478	430,818
Energy infrastructure funds	-	6,691
Mutual funds	945,689	582,706
	\$ 48,849,157	\$ 46,448,196

Also included in investments on the consolidated statements of financial position at June 30, 2021 and 2020 was \$245,727 and \$198,608, respectively, of investments related to beneficial interest in remainder trusts.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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.

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 funds invest 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 assets 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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.

Investment Return

A summary of World Learning's return on investments net of investment management fees in 2021 and 2020, follows:

	2021	2020
Dividends and interest income, net	\$ 650,250	\$ 832,896
Net realized losses on sales of investments	2,326,059	(597,672)
Net unrealized gains on investments	7,742,981	1,001,771
Total investment return	10,719,290	1,236,995
Availed for operations under spending policy	(2,343,421)	(2,791,429)
	<u>\$ 8,375,869</u>	<u>\$ (1,554,434)</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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 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.

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 THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

World Learning has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2021 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	\$ 4,772,229	\$ 1,681,630	\$ -	\$ -	\$ 6,453,859
Equity strategies	25,550,769	-	-	-	25,550,769
Alternative strategies					
Hedge funds	-	-	-	11,509,511	11,509,511
Private equity funds	-	-	-	2,835,169	2,835,169
Real estate funds	243,671	-	-	83,807	327,478
Mutual funds	945,689	-	-	-	945,689
Total - alternative strategies	1,189,360	-	-	14,428,487	15,617,847
Total - investments*	\$ 31,512,358	\$ 1,681,630	\$ -	\$ 14,428,487	\$ 47,622,475
Beneficial interest in remainder trusts	\$ -	\$ -	\$ 245,727	\$ -	\$ 245,727

* Cash equivalents are not required to be leveled under U.S. GAAP and totaled \$1,226,682 at June 30, 2021.

† 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, 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

† 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than 30 days	\$ 33,231,310	\$ 33,926,730
Greater than 30 days - less than 1 year	12,698,871	10,296,397
Greater than 1 year	2,918,976	2,225,068

The table below presents additional information regarding investments, whose fair value is estimated using the practical expedient of reported NAV, as of June 30, 2021.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Periods of Liquidation</u>	<u>No. of Days' Notice</u>
Hedge funds	\$ 11,509,511	\$ -	Qtrly-Yearly	30-90 days
Private equity funds	2,835,169	2,728,512	Illiquid	N/A
Real estate funds	83,807	86,000	Illiquid	N/A
Total	<u>\$ 14,428,487</u>	<u>\$ 2,814,512</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, 2020.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Periods of Liquidation</u>	<u>No. of Days' Notice</u>
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	<u>\$ 11,612,806</u>	<u>\$ 3,043,330</u>		

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 7 - ENDOWMENT FUNDS

World Learning's endowment consists of approximately 80 individual funds established for a variety of purposes, and as of June 30, 2021 and 2020 consisted solely of donor restricted funds.

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, 2021, the fair value of one endowment account was less than original value (underwater) by a total of \$28,833, which had an original gift value of \$53,816 and a current fair value of \$24,983. 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.

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 recommend a spending rate each year at the winter Board meeting. For the years ended June 30, 2021 and 2020, World Learning employed a spending model rate of 5% and 6%, respectively, based on a 12 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 \$46,792,384 and \$38,588,167 at June 30, 2021 and 2020, respectively, and were included within donor restricted net assets.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Endowment assets, beginning of year	\$ 38,588,167	\$ 38,277,611
Investment return, net management fees	9,470,733	1,024,954
Contributions	99,587	2,093,622
Withdrawals	(1,587,606)	(2,526,145)
Other	<u>221,503</u>	<u>(281,875)</u>
Endowment asset, end of year	<u>\$ 46,792,384</u>	<u>\$ 38,588,167</u>

NOTE 8 - DEBT

Lines of Credit

In fiscal year 2020, World Learning had available a \$15,000,000 unsecured revolving line of credit with Key Bank. Borrowings under the agreement bore interest at the London Interbank Offered ("LIBOR") rate (approximately 2.25% at June 30, 2020). The outstanding balance on the line of credit as of June 30, 2020 was \$0. The Organization did not renew this agreement during 2021.

Paycheck Protection Program Loans

In April 2020, World Learning was granted a loan (the "PPP1 Loan") in the 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 PPP1 Loan, which was in the form of a note dated April 20, 2020, was scheduled to mature on April 20, 2022 and bore interest at a rate of 1.00% per annum. Prior to the commencement of any repayments the PPP1 Loan was fully forgiven by the lender in fiscal year 2021.

In February 2021, World Learning was granted another PPP loan (the "PPP2 Loan") in the amount of \$1,999,999.

The PPP2 Loan, is in the form of a note dated February 1, 2021, matures on February 1, 2026, and bears interest at a rate of 1.00% per annum, payable monthly commencing on May 18, 2022. 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. In December 2021 World Learning received notice from the lender that the full amount of the PPP2 loan had been fully forgiven.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Land	\$ 479,922	\$ 479,922
Land improvements	738,183	738,183
Buildings and building improvements	9,636,051	9,636,051
Furniture and equipment	7,840,029	10,598,608
Equipment under capital leases	669,542	669,542
Motor vehicles	144,087	144,087
	19,507,814	22,266,393
Less: accumulated depreciation and amortization	(15,508,260)	(17,250,416)
	\$ 3,999,554	\$ 5,015,977

Depreciation expense was \$1,039,870 and \$1,131,329 for the years ended June 30, 2021 and 2020, respectively.

NOTE 10 - LEASES

World Learning is obligated under non-cancelable operating leases for program and support facilities. Future minimum lease payments as of June 30, 2021, follow:

Year Ending June 30,	
2022	\$ 1,722,495
2023	1,765,558
2024	1,809,696
2025	1,854,939
2026	1,901,312
Thereafter	160,399
Total payments	\$ 9,214,399

Rental expense for operating leases, including tenant-at-will leases, was \$2,324,520 and \$2,361,915 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 - 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 eligible 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 \$291,370 and \$935,824 for the years ended June 30, 2021 and 2020, respectively.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 and 2020 were comprised of the following:

	2021	2020
Subject to purpose and time restrictions		
Scholarships	\$ 917,813	\$ 829,367
Programs	346,646	574,733
Capital projects and preservation, and others	96,557	125,719
Time restrictions	454,155	420,833
	<u>1,815,171</u>	<u>1,950,652</u>
Endowment returns subject to future appropriation		
Scholarships	6,411,367	2,618,924
Programs	5,777,886	2,258,472
Capital projects and preservation, and others	269,465	55,258
	<u>12,458,718</u>	<u>4,932,654</u>
Amounts with perpetual restrictions		
Scholarships	18,779,325	18,621,562
Programs	14,745,853	14,687,539
Capital projects and preservation, and others	217,601	215,600
	<u>33,742,779</u>	<u>33,524,701</u>
Underwater funds	<u>(28,833)</u>	<u>(141,562)</u>
Total net assets with donor restrictions	<u>\$ 47,987,835</u>	<u>\$ 40,266,445</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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

	2021	2020
Purpose restrictions		
Scholarships	\$ 448,387	\$ 1,177,642
Programs, projects, and other initiatives	843,080	1,204,742
	1,291,467	2,382,384
Time restrictions		
Pooled income distribution and reserve for pledge loss	(6,612)	318,946
	\$ 1,284,855	\$ 2,701,330

NOTE 13 - 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.

The organization's financial assets available to management for general expenditure within one year as of June 30, 2021 and 2020 are as follows:

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 7,689,816	\$ 6,377,498
Accounts and notes receivable, net	5,340,123	4,719,998
Contributions receivable, net	1,365,531	2,174,263
Investments	49,094,884	46,646,804
Financial assets at year end	63,490,354	59,918,563
Add		
Net fiscal year endowment spending allocation for expenditure	2,259,501	1,529,517
Less		
Accounts and notes receivable collectible beyond one year	(211,481)	(238,467)
Restricted by donor with time or purpose restrictions	(47,987,835)	(40,266,445)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 17,550,539	\$ 20,943,168

NOTE 14 - 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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.

CONSOLIDATED STATEMENT OF OPERATING REVENUES AND FUNCTIONAL EXPENSES

Year ended June 30, 2021

	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 REVENUES:								
Tuition and program fees, net	\$ 56,035	\$ 3,775,608	\$ -	\$ 3,831,643	\$ -	\$ -	\$ -	\$ 3,831,643
Grants and Contracts	32,021,895	6,463,695	120,395	38,605,985	1,788,369	706,249	2,494,618	41,100,603
Contributions	-	-	-	-	-	1,040,051	1,040,051	1,040,051
Investment income availed under spending policy	618,913	687,308	499,248	1,805,469	504,775	33,177	537,952	2,343,421
Auxiliary services and Other revenue	77,858	8,135	-	85,993	54,809	753	55,562	141,555
Total operating revenues	32,774,701	10,934,746	619,643	44,329,090	2,347,953	1,780,230	4,128,183	48,457,273
OPERATING EXPENSE:								
Salaries and Benefits	13,900,272	8,617,770	640,225	23,158,267	4,021,269	422,161	4,443,430	27,601,697
Professional Services	1,793,773	513,532	38,042	2,345,347	836,096	64,958	901,054	3,246,401
Office, Supplies, and Occupancy	2,305,388	1,552,036	112,485	3,969,909	478,555	92,355	570,910	4,540,819
Travel, Conferences, and Meetings	75,191	38,803	-	113,994	1,497	-	1,497	115,491
Depreciation, depletion, and amortization	445,758	355,503	47,075	848,336	161,313	30,221	191,534	1,039,870
Sub-grants and Sub-Contracts	5,913,578	-	-	5,913,578	-	-	-	5,913,578
Program expenses	3,965,309	2,418,196	-	6,383,505	-	-	-	6,383,505
Other expenses	152,743	463,561	16,824	633,128	510,109	417	510,526	1,143,654
Total operating expense	28,552,012	13,959,401	854,651	43,366,064	6,008,839	610,112	6,618,951	49,985,015
Change in net assets from operations	\$ 4,222,689	\$ (3,024,655)	\$ (235,008)	\$ 963,026	\$ (3,660,886)	\$ 1,170,118	\$ (2,490,768)	\$ (1,527,742)