

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

World Learning, Inc.

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
World Learning, Inc.

Opinion

We have audited the consolidated financial statements of World Learning, Inc. (a nonprofit organization) and subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Boston, Massachusetts
January 25, 2023

World Learning, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 4,956,503	\$ 7,689,816
Accounts and notes receivable, net	8,659,483	5,340,123
Contributions receivable, net	1,498,383	1,365,531
Prepaid expenses and other assets	4,253,920	2,020,822
Investments	42,525,979	49,094,884
Property, plant and equipment, net	3,400,363	3,999,554
Total assets	\$ 65,294,631	\$ 69,510,730
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 9,396,297	\$ 6,391,227
Advance payments, deferred revenue and other liabilities	8,318,065	6,192,573
Paycheck Protection Program ("PPP") loans	-	1,999,999
Total liabilities	17,714,362	14,583,799
Commitments and contingencies (Notes 11 and 15)		
Net assets		
Without donor restrictions	5,022,432	6,939,096
With donor restrictions	42,557,837	47,987,835
Total net assets	47,580,269	54,926,931
Total liabilities and net assets	\$ 65,294,631	\$ 69,510,730

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

(With summarized information for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Operating revenues and other support:				
Tuition and program fees, net of scholarships of \$2,062,291 and \$850,759 in 2022 and 2021	\$ 21,204,806	\$ -	\$ 21,204,806	\$ 3,831,643
Grants and contracts:				
Federal government grants and contracts	60,889,143	-	60,889,143	39,100,218
Other grants and contracts	3,717,962	-	3,717,962	2,000,385
Investment return availed under spending policy	2,259,500	944,008	3,203,508	2,343,421
Contributions	1,164,181	831,080	1,995,261	1,040,051
Other revenue	401,965	-	401,965	141,555
Net assets released from restrictions	1,477,861	(1,477,861)	-	-
Total operating revenues and other support	91,115,418	297,227	91,412,645	48,457,273
Operating expenses				
Education and general:				
Program and instruction	20,608,846	-	20,608,846	7,726,429
Program support	3,391,435	-	3,391,435	4,304,082
Student services	698,577	-	698,577	538,168
Grants and contracts:				
Federal government grants and contracts	57,283,356	-	57,283,356	28,964,822
Other grants and contracts	1,451,300	-	1,451,300	1,465,980
Auxiliary services	69,286	-	69,286	450
General support	8,269,833	-	8,269,833	6,984,795
Other	3,174	-	3,174	289
Total operating expense	91,775,807	-	91,775,807	49,985,015
Change in net assets from operations	(660,389)	297,227	(363,162)	(1,527,742)
Non-operating revenue (expense)				
Investment income, net of amounts availed	(963,295)	(6,109,249)	(7,072,544)	8,375,869
Contributions	-	238,184	238,184	99,588
Other fund adjustments	(143,840)	143,840	-	-
Losses on foreign currency transactions	(123,808)	-	(123,808)	(23,017)
Other non-operating (losses) gains	(25,332)	-	(25,332)	89,126
Total non-operating revenue (expense)	(1,256,275)	(5,727,225)	(6,983,500)	8,541,566
CHANGE IN NET ASSETS	(1,916,664)	(5,429,998)	(7,346,662)	7,013,824
Net assets - beginning of year	6,939,096	47,987,835	54,926,931	47,913,107
Net assets - end of year	<u>\$ 5,022,432</u>	<u>\$ 42,557,837</u>	<u>\$ 47,580,269</u>	<u>\$ 54,926,931</u>

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and other support			
Tuition and program fees, net of scholarships of \$850,759	\$ 3,831,643	\$ -	\$ 3,831,643
Grants and contracts:			
Federal government grants and contracts	39,100,218	-	39,100,218
Other grants and contracts	2,000,385	-	2,000,385
Investment return availed under spending policy	1,681,540	661,881	2,343,421
Contributions	590,572	449,479	1,040,051
Other revenue	141,555	-	141,555
Net assets released from restrictions	1,284,855	(1,284,855)	-
	<u>48,630,768</u>	<u>(173,495)</u>	<u>48,457,273</u>
Operating expenses			
Education and general			
Program and instruction	7,726,429	-	7,726,429
Program support	4,304,082	-	4,304,082
Student services	538,168	-	538,168
Grants and contracts:			
Federal government grants and contracts	28,964,822	-	28,964,822
Other grants and contracts	1,465,980	-	1,465,980
Auxiliary services	450	-	450
General support	6,984,795	-	6,984,795
Other	289	-	289
	<u>49,985,015</u>	<u>-</u>	<u>49,985,015</u>
Total operating expenses	<u>49,985,015</u>	<u>-</u>	<u>49,985,015</u>
Change in net assets from operations	<u>(1,354,247)</u>	<u>(173,495)</u>	<u>(1,527,742)</u>
Non-operating revenue (expense)			
Investment income, net of amounts availed	736,337	7,639,532	8,375,869
Contributions	-	99,588	99,588
Other fund adjustments	(108,646)	108,646	-
Losses on foreign currency transactions	(23,017)	-	(23,017)
Other non-operating gains	42,007	47,119	89,126
	<u>646,681</u>	<u>7,894,885</u>	<u>8,541,566</u>
Total non-operating revenue	<u>646,681</u>	<u>7,894,885</u>	<u>8,541,566</u>
CHANGE IN NET ASSETS	<u>(707,566)</u>	<u>7,721,390</u>	<u>7,013,824</u>
Net assets - beginning of year	<u>7,646,662</u>	<u>40,266,445</u>	<u>47,913,107</u>
Net assets - end of year	<u>\$ 6,939,096</u>	<u>\$ 47,987,835</u>	<u>\$ 54,926,931</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (7,346,662)	\$ 7,013,824
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	864,043	1,039,870
Gain on forgiveness of PPP loan	(1,999,999)	(4,876,000)
Change in allowance for uncollectible contributions receivable and other accounts receivable	191,810	(25,760)
Net unrealized and realized losses (gains) on investments	3,869,035	(10,719,291)
Contributions restricted for long-term investments	(238,183)	(99,587)
Change in operating assets and liabilities		
Prepaid expenses and other assets	(2,233,098)	(149,418)
Accounts and notes receivables	(3,320,870)	(605,365)
Contributions receivable	(279,852)	819,732
Accounts payable and accrued expenses	3,023,149	(571,998)
Advance payments, deferred revenue and other liabilities	2,125,492	(909,529)
Net cash used in operating activities	<u>(5,345,135)</u>	<u>(9,083,522)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(264,852)	(23,445)
Purchases of investments	(1,374,963)	(848,640)
Proceeds from sale of investments	4,056,754	9,168,339
Net cash provided by investing activities	<u>2,416,939</u>	<u>8,296,254</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investments	194,883	99,587
Proceeds from PPP loan	-	1,999,999
Net cash provided by financing activities	<u>194,883</u>	<u>2,099,586</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,733,313)	1,312,318
Cash and cash equivalents - beginning of year	<u>7,689,816</u>	<u>6,377,498</u>
Cash and cash equivalents - end of year	<u>\$ 4,956,503</u>	<u>\$ 7,689,816</u>

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

World Learning, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	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	\$ 15,748,697	\$ 12,502,123	\$ 762,030	\$ 29,012,850	\$ 4,680,037	\$ 538,595	\$ 5,218,632	\$ 34,231,482
Professional services	1,959,896	578,202	40,666	2,578,764	998,688	26,077	1,024,765	3,603,529
Office, supplies, and occupancy	2,065,550	2,135,302	135,242	4,336,094	966,602	82,241	1,048,843	5,384,937
Travel, conferences, and meetings	774,281	432,883	16,425	1,223,589	39,377	7,740	47,117	1,270,706
Depreciation	385,834	276,411	47,822	710,067	135,466	18,510	153,976	864,043
Subgrants and subcontracts	10,341,434	-	-	10,341,434	-	-	-	10,341,434
Program expenses	23,603,797	10,352,454	26,011	33,982,262	-	-	-	33,982,262
Other expenses	232,287	822,704	50,837	1,105,828	791,777	199,809	991,586	2,097,414
Total operating expense	\$ 55,111,776	\$ 27,100,079	\$ 1,079,033	\$ 83,290,888	\$ 7,611,947	\$ 872,972	\$ 8,484,919	\$ 91,775,807

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

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
Depreciation, depletion, and amortization	445,758	355,503	47,075	848,336	161,313	30,221	191,534	1,039,870
Subgrants and subcontracts	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	<u>\$ 28,552,012</u>	<u>\$ 13,959,401</u>	<u>\$ 854,651</u>	<u>\$ 43,366,064</u>	<u>\$ 6,008,839</u>	<u>\$ 610,112</u>	<u>\$ 6,618,951</u>	<u>\$ 49,985,015</u>

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

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 40 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 programs in more than 30 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 grassroots programs, mostly Federally funded, to build local capabilities through development, training, and exchange projects.

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.

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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 7% and 5% in fiscal years 2022 and 2021, 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 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 has 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021 were \$1,350,640 and \$1,562,714, 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, 2022 and 2021, 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 estimated liability related to charitable gift annuities was \$75,342 and \$78,915 at June 30, 2022 and 2021, 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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.

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.

At June 30, 2022 and 2021, the organization had deferred revenue of \$3,267,559 and \$1,306,512, respectively, relating to the Organization's performance obligation to transfer future instructional services to students. For the years ended June 30, 2022 and 2021, the Organization recognized revenue of \$1,306,512 and \$646,362, 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 Organization 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022, 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 \$119 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 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 2022 and 2021 were \$7,949,308 and \$5,887,075, respectively.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Allocation of facilities and administrative recovery between program support and general support for fiscal years 2022 and 2021 is summarized as follows:

	2022	2021
Program support	\$ 7,274,672	\$ 6,379,276
Less: facilities and administrative recovery	(3,883,237)	(2,075,194)
Program support, net	\$ 3,391,435	\$ 4,304,082
	2022	2021
General support	\$ 12,335,904	\$ 10,796,676
Less: facilities and administrative recovery	(4,066,071)	(3,811,881)
General support, net	\$ 8,269,833	\$ 6,984,795

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.

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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 January 25, 2023, which was the date these consolidated financial statements were available to be issued.

Recent Accounting Pronouncements

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 The Organization adopted ASU 2020-07 in the current fiscal year ended June 30, 2022. The adoption of ASU 2020-07 did not have a material impact on World Learning's consolidated financial statements.

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.

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable, net, at June 30, 2022 and 2021, consisted of:

	2022	2021
Federal grants and contracts	\$ 7,070,033	\$ 4,082,723
Student loans	190,553	191,192
Programs and students	406,361	68,939
Private grants and contracts	592,021	261,673
Other receivables	587,420	920,991
Allowance for uncollectible accounts	(186,905)	(185,395)
	<u>\$ 8,659,483</u>	<u>\$ 5,340,123</u>

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 \$269,793 and \$283,699 as of June 30, 2022 and 2021, 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:

	2022	2021
Institutional loans	\$ 190,553	\$ 191,192
Allowance for uncollectible accounts	(137,390)	(139,490)
Student loans receivable, net	\$ 53,163	\$ 51,702

At June 30, 2022 and 2021, 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
2022	\$ -	\$ -	\$ 151,971	\$ 151,971
2021	\$ -	\$ -	\$ 131,380	\$ 131,380

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, 2022 and 2021 consisted of:

	2022	2021
Amounts		
Due within one year	\$ 427,333	\$ 79,831
Due within two to five years	1,540,650	1,565,000
	1,967,983	1,644,831
Less		
Unamortized discount	(371,169)	(197,160)
Allowance for uncollectible pledges	(98,431)	(82,140)
	\$ 1,498,383	\$ 1,365,531

The discount rate used to measure contributions receivable at their present value was 4.75% and 2.23% at June 30, 2022 and 2021, 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 THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

As of June 30, 2022 and 2021 contributions receivable from one donor were approximately 72% and 90%, respectively of contributions receivable, net.

NOTE 5 - INVESTMENTS

The fair value of investments at June 30, 2022 and 2021 is summarized as follows:

	2022	2021
Cash equivalents	\$ 3,445,459	\$ 1,226,682
Fixed-income strategies	6,114,269	6,453,859
Equity strategies	15,559,212	25,550,769
Alternative strategies		
Hedge funds	12,218,938	11,509,511
Private equity funds	3,642,675	2,835,169
Real estate funds	288,022	327,478
Mutual funds	1,011,676	945,689
	<u>\$ 42,280,251</u>	<u>\$ 48,849,157</u>

Also included in investments on the consolidated statements of financial position at June 30, 2022 and 2020 was \$245,728 and \$245,727, 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.

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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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.

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 2022 and 2021, follows:

	2022	2021
Dividends and interest income, net	\$ 648,136	\$ 650,250
Net realized gains on sales of investments	3,050,581	2,326,059
Net unrealized (losses) gains on investments	<u>(7,567,753)</u>	<u>7,742,981</u>
Total investment return	(3,869,036)	10,719,290
Availed for operations under spending policy	<u>(3,203,508)</u>	<u>(2,343,421)</u>
	<u>\$ (7,072,544)</u>	<u>\$ 8,375,869</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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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.

Alternative Investments

The Organization's alternative investments consist of private equity and hedge funds as well as real estate, 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, 2022 and 2021

World Learning has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2022 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	\$ 4,568,797	\$ 1,545,472	\$ -	\$ -	\$ 6,114,269
Equity strategies	15,559,212	-	-	-	15,559,212
Alternative strategies					
Hedge funds	-	-	-	12,218,938	12,218,938
Private equity funds	-	-	-	3,642,675	3,642,675
Real estate funds	230,225	-	-	57,797	288,022
Mutual funds	1,011,676	-	-	-	1,011,676
Total - alternative strategies	1,241,901	-	-	15,919,410	17,161,311
Total - investments*	<u>\$21,369,910</u>	<u>\$ 1,545,472</u>	<u>\$ -</u>	<u>\$15,919,410</u>	<u>\$38,834,792</u>
Beneficial interest in remainder trusts	\$ -	\$ -	\$ 245,728	\$ -	\$ 245,728

*Cash equivalents are not required to be leveled under U.S. GAAP and totaled \$3,445,459 at June 30, 2022.

† 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, 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*	<u>\$31,512,358</u>	<u>\$ 1,681,630</u>	<u>\$ -</u>	<u>\$14,428,487</u>	<u>\$47,622,475</u>
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, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The liquidity of the investment portfolio, expressed in time periods over which investments can be converted to cash, was as follows at June 30, 2022 and 2021:

	2022	2021
Less than 30 days	\$ 25,118,939	\$ 33,231,310
Greater than 30 days - less than 1 year	13,460,840	12,698,871
Greater than 1 year	3,700,472	2,918,976

The table below presents additional information regarding investments, whose fair value is estimated using the practical expedient of reported NAV, as of June 30, 2022.

	Fair Value	Unfunded Commitments	Redemption Periods of Liquidation	No. of Days' Notice
Hedge funds	\$ 12,218,938	\$ -	Qtrly-Yearly	30-90 days
Private equity funds	3,642,675	3,181,640	Illiquid	N/A
Real estate funds	57,797	86,000	Illiquid	N/A
Total	\$ 15,919,410	\$ 3,267,640		

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.

	Fair Value	Unfunded Commitments	Redemption Periods of Liquidation	No. of Days' Notice
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	\$ 14,428,487	\$ 2,814,512		

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, 2022 and 2021 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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022, the fair value of five endowment accounts was less than original value (underwater) by a total of \$67,149, which together had an original gift value of \$520,139 and a current fair value of \$452,990. At June 30, 2021, the fair value of one endowment account was less than original value (underwater) by \$28,833, which had an original gift value of \$53,816 and a current fair value of \$24,983.

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 or spring Board meeting. For the years ended June 30, 2022 and 2021, World Learning employed a spending model rate of 7% and 5%, 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 \$40,912,367 and \$46,792,384 at June 30, 2022 and 2021, respectively, and were included within donor restricted net assets.

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

	<u>2022</u>	<u>2021</u>
Endowment assets, beginning of year	\$ 46,792,384	\$ 38,588,167
Investment return, net management fees	(3,566,559)	9,470,733
Contributions	238,184	99,587
Withdrawals	(2,367,387)	(1,587,606)
Other	(184,255)	221,503
Endowment assets, end of year	<u>\$ 40,912,367</u>	<u>\$ 46,792,384</u>

Included in endowment net assets are unspent amounts appropriated for operations totaling \$783,309 and \$619,720 as of June 30, 2022 and 2021, respectively.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 8 - DEBT

Lines of Credit

In fiscal year 2022, World Learning had available a \$4,000,000 revolving line of credit with Key Bank. World Learning didn't utilize the credit line in fiscal year 2022, and the outstanding balance on the line of credit as of June 30, 2022 was \$0. The Organization did not have a credit line of agreement during fiscal year 2021.

Paycheck Protection Program Loans

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

The PPP2 Loan, was in the form of a note dated February 1, 2021, was scheduled to mature on February 1, 2026, and bore interest at a rate of 1.00% per annum, payable monthly commencing on May 18, 2022. Prior to the commencement of any repayments the PPP2 Loan was fully forgiven by the lender in fiscal year 2022. The forgiveness of \$1,999,999 is reflected within grants and contracts revenue on the statement of activities for the year ended June 30, 2022.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Land	\$ 479,922	\$ 479,922
Land improvements	738,183	738,183
Buildings and building improvements	9,670,347	9,636,051
Furniture and equipment	8,070,585	7,840,029
Equipment under capital leases	669,542	669,542
Motor vehicles	144,087	144,087
	19,772,666	19,507,814
Less: accumulated depreciation and amortization	(16,372,303)	(15,508,260)
	\$ 3,400,363	\$ 3,999,554

Depreciation expense was \$864,043 and \$1,039,870 for the years ended June 30, 2022 and 2021, respectively.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022, follow:

<u>Year Ending June 30,</u>	
2023	\$ 1,765,558
2024	1,809,696
2025	1,854,939
2026	1,901,312
2027	<u>160,399</u>
Total payments	\$ <u>7,491,904</u>

Rental expense for operating leases, including tenant-at-will leases, was \$2,552,818 and \$2,324,520 for the years ended June 30, 2022 and 2021, 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 \$905,476 and \$291,370 for the years ended June 30, 2022 and 2021, respectively.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 were comprised of the following:

	2022	2021
Subject to purpose and time restrictions		
Scholarships	\$ 1,177,315	\$ 917,813
Programs	461,556	346,646
Capital projects and preservation, and others	65,700	96,557
Time restrictions	724,208	454,155
	2,428,779	1,815,171
Endowment returns subject to future appropriation		
Scholarships	2,087,056	3,470,251
Programs	4,236,874	8,888,838
Capital projects and preservation, and others	63,814	99,629
	6,387,744	12,458,718
Amounts with perpetual restrictions		
Scholarships	10,809,162	10,752,593
Programs	22,779,700	22,772,585
Capital projects and preservation, and others	219,601	217,601
	33,808,463	33,742,779
Underwater funds	(67,149)	(28,833)
Total net assets with donor restrictions	\$ 42,557,837	\$ 47,987,835

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.

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

	2022	2021
Purpose restrictions		
Scholarships	\$ 839,414	\$ 448,387
Programs, projects, and other initiatives	455,746	843,080
	1,295,160	1,291,467
Time restrictions		
Pooled income distribution and reserve for pledge loss	182,701	(6,612)
	\$ 1,477,861	\$ 1,284,855

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.

World Learning, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The organization's financial assets available to management for general expenditure within one year as of June 30, 2022 and 2021 are as follows:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 4,956,503	\$ 7,689,816
Accounts and notes receivable, net	8,659,483	5,340,123
Contributions receivable, net	1,498,383	1,365,531
Investments	42,525,979	49,094,884
Financial assets at year end	57,640,348	63,490,354
Add		
Net fiscal year endowment spending allocation for expenditure	1,803,897	2,259,501
Less		
Accounts and notes receivable collectible beyond one year	(182,720)	(211,481)
Restricted by donor with time or purpose restrictions	(42,557,837)	(47,987,835)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 16,703,688	\$ 17,550,539

The organization also has available a line of credit that allows for borrowings of up to \$4,000,000, that could be drawn upon to meet general expenditures (Note 8).

NOTE 14 - RELATED PARTY TRANSACTIONS

Members of World Learning's Board of Trustees and senior administration may, from time to time, be associated either directly or indirectly, with entities doing business with the Organization. Accordingly, World Learning has conflict of interest policies that may require any such association, including those of immediate family members, to be disclosed on an annual basis and updated as appropriate during the year. If any such associations exist, measures are taken to mitigate any actual or perceived conflict. For the years ended June 30, 2022 and 2021, there were no related party transactions that were not effectively mitigated.

NOTE 15 - CONTINGENCIES

General

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, 2022 and 2021

Governmental Grants

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.

COVID-19

Given continued impact of COVID-19 on domestic and global travel, compounded by a more cautious return to study abroad and visitor programming through our network of partners, the Organization continued to experience the financial impact of revenue imbalances during fiscal year 2022. The need to prepare our network to a return to full capacity as pandemic restrictions subside required the elimination of several of the cost savings initiatives implemented in 2021, putting short term pressure on operating margins. With program activity continuing to steadily progress toward historical norms, expectations are that the negative impact will lessen through the next fiscal year, although some uncertainty remains due to the persistence of the pandemic and the variety of restrictions worldwide. Existing resources are expected to remain sufficient to navigate this period of imbalance as we prepare the organization for a post pandemic operating posture.