

**The English-Speaking Union of
the United States -
National Headquarters**

Financial Statements

June 30, 2015 and 2014

Independent Auditors' Report

**Board of Directors
The English-Speaking Union of the United States
- National Headquarters**

We have audited the accompanying financial statements of The English-Speaking Union of the United States - National Headquarters (the "English-Speaking Union") which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

O'CONNOR DAVIES, LLP

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**Board of Directors
The English-Speaking Union of the United States
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The English-Speaking Union of the United States - National Headquarters as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Restatement

As explained in note 9 to the financial statements, previously reported balances of unrestricted net assets, temporarily restricted net assets and net assets released from restriction have been restated to properly reflect the release of donor stipulated funds from restriction. Our opinion on the financial statements is not modified with respect to this matter.

Other Matter

The accompanying financial statements reflect the financial position and operations of The English-Speaking Union - National Headquarters only and do not include the assets, liabilities, net assets, revenue or expenses of the constituent branches of The English-Speaking Union of the United States. The branches are affiliated with The English-Speaking Union through various provisions in their Certificates of Authority, bylaws, and other governing instruments.

O'Connor Davies, LLP

October 10, 2015

**The English-Speaking Union of the United States -
National Headquarters**

Statements of Financial Position

	June 30	
	2015	2014 (Restated)
ASSETS		
Cash and cash equivalents	\$ 129,426	\$ 148,466
Accounts receivable	8,685	40,719
Promises to give receivable	8,260	191,500
Prepaid expenses and deposits	4,763	9,204
Investments, at fair value	13,538,510	13,304,771
Headquarters building, net of accumulated depreciation	3,175,033	3,265,073
Office equipment, net of accumulated depreciation	30,498	40,031
	\$ 16,895,175	\$ 16,999,764
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 249,134	\$ 328,087
Line of credit payable	151,000	1,000
Equipment leases payable	15,102	25,170
Total Liabilities	415,236	354,257
 Net Assets		
Unrestricted		
Investment in headquarters building	3,175,033	3,265,073
Board designated	12,067,236	11,819,860
Undesignated	(78,152)	5,116
Total Unrestricted	15,164,117	15,090,049
Temporarily restricted	813,307	1,052,943
Permanently restricted	502,515	502,515
Total Net Assets	16,479,939	16,645,507
	\$ 16,895,175	\$ 16,999,764

See notes to financial statements

**The English-Speaking Union of the United States -
National Headquarters**

Statement of Activities
Year Ended June 30, 2015
(with comparative totals for year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
OPERATING REVENUE AND SUPPORT					
Membership dues	\$ 163,929	\$ -	\$ -	\$ 163,929	\$ 164,506
Board allocated investment income	459,156	-	-	459,156	429,950
Speakers and conferences	26,528	-	-	26,528	64,331
Education	588,478	217,030	-	805,508	633,383
Book services	-	29,864	-	29,864	30,327
General contributions	143,131	-	-	143,131	114,610
Special events and other income, net of event expenses of \$24,729 and \$17,077	24,967	-	-	24,967	21,049
Net assets released from restrictions	<u>500,280</u>	<u>(500,280)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenue and Support	<u>1,906,469</u>	<u>(253,386)</u>	<u>-</u>	<u>1,653,083</u>	<u>1,458,156</u>
OPERATING EXPENSES					
Program Services					
Membership services	109,878	-	-	109,878	118,115
Speakers and conferences	114,410	-	-	114,410	174,914
Education	1,083,305	-	-	1,083,305	766,196
Book services	21,263	-	-	21,263	26,895
Communications	<u>77,117</u>	<u>-</u>	<u>-</u>	<u>77,117</u>	<u>64,086</u>
Total Program Services	<u>1,405,973</u>	<u>-</u>	<u>-</u>	<u>1,405,973</u>	<u>1,150,206</u>
Supporting Services					
Management and general	389,387	-	-	389,387	398,191
Fundraising	130,701	-	-	130,701	166,498
Branch services	<u>129,376</u>	<u>-</u>	<u>-</u>	<u>129,376</u>	<u>114,347</u>
Total Supporting Services	<u>649,464</u>	<u>-</u>	<u>-</u>	<u>649,464</u>	<u>679,036</u>
Total Operating Expenses	<u>2,055,437</u>	<u>-</u>	<u>-</u>	<u>2,055,437</u>	<u>1,829,242</u>
Net Loss from Operations	(148,968)	(253,386)	-	(402,354)	(371,086)
NON-OPERATING ITEMS					
Investment return, net of allocations	223,036	13,750	-	236,786	2,044,268
Endowment rescission	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,450)</u>
Change in Net Assets	74,068	(239,636)	-	(165,568)	1,666,732
NET ASSETS					
Beginning of year	<u>15,090,049</u>	<u>1,052,943</u>	<u>502,515</u>	<u>16,645,507</u>	<u>14,978,775</u>
End of year	<u>\$ 15,164,117</u>	<u>\$ 813,307</u>	<u>\$ 502,515</u>	<u>\$ 16,479,939</u>	<u>\$ 16,645,507</u>

See notes to financial statements

**The English-Speaking Union of the United States -
National Headquarters**

Statement of Activities
Year Ended June 30, 2014
(restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT				
Membership dues	\$ 164,506	\$ -	\$ -	\$ 164,506
Board allocated investment income	429,950	-	-	429,950
Speakers and conferences	64,331	-	-	64,331
Education	400,294	233,089	-	633,383
Book services	-	30,327	-	30,327
General contributions	114,610	-	-	114,610
Special events and other income, net of event expenses of \$17,077	21,049	-	-	21,049
Net assets released from restrictions	<u>408,611</u>	<u>(408,611)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue and Support	<u>1,603,351</u>	<u>(145,195)</u>	<u>-</u>	<u>1,458,156</u>
OPERATING EXPENSES				
Program Services				
Membership services	118,115	-	-	118,115
Speakers and conferences	174,914	-	-	174,914
Education	766,196	-	-	766,196
Book services	26,895	-	-	26,895
Communications	<u>64,086</u>	<u>-</u>	<u>-</u>	<u>64,086</u>
Total Program Services	<u>1,150,206</u>	<u>-</u>	<u>-</u>	<u>1,150,206</u>
Supporting Services				
Management and general	398,191	-	-	398,191
Fundraising	166,498	-	-	166,498
Branch services	<u>114,347</u>	<u>-</u>	<u>-</u>	<u>114,347</u>
Total Supporting Services	<u>679,036</u>	<u>-</u>	<u>-</u>	<u>679,036</u>
Total Operating Expenses	<u>1,829,242</u>	<u>-</u>	<u>-</u>	<u>1,829,242</u>
Net Loss from Operations	(225,891)	(145,195)	-	(371,086)
NON-OPERATING ITEMS				
Investment return, net of allocations	1,927,059	117,209	-	2,044,268
Endowment rescission	<u>-</u>	<u>-</u>	<u>(6,450)</u>	<u>(6,450)</u>
Change in Net Assets	1,701,168	(27,986)	(6,450)	1,666,732
NET ASSETS				
Beginning of year	<u>13,388,881</u>	<u>1,080,929</u>	<u>508,965</u>	<u>14,978,775</u>
End of year	<u>\$ 15,090,049</u>	<u>\$ 1,052,943</u>	<u>\$ 502,515</u>	<u>\$ 16,645,507</u>

See notes to financial statements

**The English-Speaking Union of the United States -
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Statements of Cash Flows

	Year Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (165,568)</u>	<u>\$ 1,666,732</u>
Adjustments to reconcile change in net assets to net cash from operating activities		
Permanently restricted rescission	-	6,450
Net gain on investments	(530,438)	(2,273,841)
Depreciation	102,363	107,481
Donated security	-	(27,000)
Changes in Operating Assets and Liabilities		
Accounts receivable	32,034	(7,141)
Promises to give receivable	183,240	206,125
Prepaid expenses and deposits	4,441	11,409
Accounts payable and accrued expenses	<u>(78,953)</u>	<u>220,676</u>
Total Adjustments	<u>(287,313)</u>	<u>(1,755,841)</u>
Net Cash (Used) by Operating Activities	<u>(452,881)</u>	<u>(89,109)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements	(2,790)	(69,160)
Net purchase of short-term investments	(415,194)	(501,413)
Proceeds from sales/maturities of investments	6,580,689	8,114,658
Purchases of investments	<u>(5,868,796)</u>	<u>(7,084,346)</u>
Net Cash Provided by Investing Activities	<u>293,909</u>	<u>459,739</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayment of) line of credit payable	150,000	(299,000)
Permanently restricted rescission	-	(6,450)
Principal payments on equipment leases	<u>(10,068)</u>	<u>(10,068)</u>
Net Cash Provided (Used) by Financing Activities	<u>139,932</u>	<u>(315,518)</u>
Net Change in Cash and Cash Equivalents	(19,040)	55,112
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>148,466</u>	<u>93,354</u>
End of year	<u>\$ 129,426</u>	<u>\$ 148,466</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 870	\$ 5,788

See notes to financial statements

The English-Speaking Union of the United States - National Headquarters

Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Taxation

The English-Speaking Union of the United States, (“ESU”) is a not-for-profit organization incorporated in the State of Delaware for charitable and educational purposes. Seventy branches of ESU operate through independent governing boards throughout the United States. These branches support their own scholarships and programs as well as those of The English-Speaking Union - National Headquarters (the “English-Speaking Union”). Each branch pays an assessment to the English-Speaking Union for each of its members. Since 1920, the ESU has grown to include a broad domestic and international education and exchange base both in the United States and in fifty-five countries worldwide.

The accompanying financial statements reflect the financial position and operations of the English-Speaking Union only and do not include the assets, liabilities, net assets, revenue or expenses of the independent constituent branches of ESU. The branches are affiliated with the English-Speaking Union through various provisions in their Certificates of Authority, bylaws, and other governing instruments.

The English-Speaking Union is exempt from income tax under Sections 501(c)(3) and 509(a) of the Internal Revenue Code of 1986.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Assets Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the English-Speaking Union and changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For statements of cash flow purposes, the English-Speaking Union considers all highly liquid debt instruments purchased with a maturity of three months or less except for such items in its investment account, to be cash equivalents.

Fair Value Measurements

The English-Speaking Union follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation and Income Recognition

Investments are carried at fair value except for temporary cash investments which are carried at cost. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Building, Building Improvements and Office Equipment

The English-Speaking Union follows the practice of capitalizing expenditures for building, improvements and equipment with cost of \$500 or higher and having a useful life of more than one year. Depreciation is expensed on a straight-line basis over the estimated useful lives of the assets which range from 4 to 39 years.

The English-Speaking Union reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset exceeds its fair value. If such review indicates that the asset is impaired, the asset's carrying amount would be written down to fair value. Management has determined that no impairment adjustment was required for the years ended June 30, 2015 and 2014.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions received, including unconditional promises to give, are recognized as support in the period received at their fair values. Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts-in-Kind

Contributions of services and use of facilities are recognized at their fair value when they create or enhance nonfinancial assets or they require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The value of the contributed services and use of facilities recognized as revenue and expense in the statement of activities for each of the years ended June 30, 2015 and 2014 was \$52,500 all of which was allocated to program services.

Operating Measure

The English-Speaking Union classifies its activities in its accompanying statement of activities as operating and non-operating. Operating activities principally include all income and expenses related to carrying out the English-Speaking Union's charitable and educational mission. Operating revenue also includes investment return to fund current operations, in accordance with the English-Speaking Union's endowment spending rate policy.

Non-operating activities principally include investment return in excess of (or less than) amounts authorized for expenditure by the English-Speaking Union's Board of Directors (spending rate policy), contributions and other resources intended for permanently restricted purposes and other activities considered to be of a more unusual or non-recurring nature.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

Expenses, including depreciation, have been charged to program and supporting services either directly, when identifiable, or indirectly based on management's estimation of the services benefited.

Accounting for Uncertainty in Income Taxes

The English-Speaking Union recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the English-Speaking Union had no uncertain tax positions that would require financial statement disclosure or recognition. The English-Speaking Union is no longer subject to audits by the applicable taxing jurisdictions for periods prior to June 30, 2012.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 10, 2015.

3. Credit Risk Concentration

Certain financial instruments potentially subject the English-Speaking Union to concentrations of credit risk. These financial instruments consists primarily of cash and cash equivalents, investments and accounts and promises to give receivables. The English-Speaking Union places its cash and cash equivalents and investments in highly rated financial institutions. At times cash and cash equivalents and investment balances held at these financial institutions may exceed federally insured limits. The English-Speaking Union does not have a material concentration of credit risk with respect to accounts and promises to give receivable.

4. Promises to Give Receivable

Promises to give receivable which amounted to \$8,260 at June 30, 2015 is due to be collected within one year and is deemed to be fully collectible by management. Thus, no allowance has been provided for potential uncollectibility. Promises to give receivable which amounted to \$191,500 at June 30, 2014 was collected during the fiscal year ended June 2015.

5. Investments and Investment Return

The English-Speaking Union utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Target allocation percentages are established for various asset classes and are modified over time. Performance is measured against a composite benchmark of investment indices reflecting the target asset allocation.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

5. Investments and Investment Return (continued)

The following are the classes and major categories of investments at June 30, 2015 and 2014 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

<u>2015</u> <u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at Fair Value by Level of Input				
Fixed Income				
Corporate bonds	\$ -	\$ 736,487	\$ -	\$ 736,487
Government agency securities	-	473,551	-	473,551
Bond funds	608,449	-	-	608,449
Preferred stock	1,416,403	-	-	1,416,403
	<u>2,024,852</u>	<u>1,210,038</u>	<u>-</u>	<u>3,234,890</u>
Equity Securities				
Basic materials	285,332	-	-	285,332
Industrials	1,376,824	-	-	1,376,824
Consumer discretionary	2,592,625	-	-	2,592,625
Healthcare	2,390,498	-	-	2,390,498
Consumer staples	157,320	-	-	157,320
Energy	334,805	-	-	334,805
Financial	185,900	-	-	185,900
Technology	215,230	-	-	215,230
Real estate	1,700,738	-	-	1,700,738
Other	126,000	-	-	126,000
	<u>9,365,272</u>	<u>-</u>	<u>-</u>	<u>9,365,272</u>
Other				
Private equity	-	-	26,263	26,263
Total Investments at Fair Value	<u>\$11,390,124</u>	<u>\$1,210,038</u>	<u>\$ 26,263</u>	12,626,425
Temporary cash investment at cost				<u>912,085</u>
Total Investments				<u>\$ 13,538,510</u>

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

5. Investments and Investment Return (continued)

<u>2014</u> Description	Level 1	Level 2	Level 3	Total
Investments at Fair Value by Level of Input				
Fixed Income				
Corporate bonds	\$ -	\$ 554,775	\$ -	\$ 554,775
Government agency securities	-	221,375	-	221,375
Bond funds	755,988	-	-	755,988
Preferred stock	1,643,410	-	-	1,643,410
	<u>2,399,398</u>	<u>776,150</u>	<u>-</u>	<u>3,175,548</u>
Equity Securities				
Basic materials	651,625	-	-	651,625
Industrials	1,144,716	-	-	1,144,716
Consumer discretionary	2,048,173	-	-	2,048,173
Healthcare	1,607,770	-	-	1,607,770
Consumer staples	113,055	-	-	113,055
Energy	1,021,520	-	-	1,021,520
Financial	592,052	-	-	592,052
Technology	1,517,871	-	-	1,517,871
Real estate	283,515	-	-	283,515
Other	311,843	-	-	311,843
	<u>9,292,140</u>	<u>-</u>	<u>-</u>	<u>9,292,140</u>
Other				
Private equity	-	-	31,216	31,216
Total Investments at Fair Value	<u>\$ 11,691,538</u>	<u>\$ 776,150</u>	<u>\$ 31,216</u>	<u>12,498,904</u>
Temporary cash investment at cost				805,867
Total Investments				<u>\$13,304,771</u>

The following is a reconciliation of the beginning and ending balances for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and 2014:

Balance July 1, 2013	\$ -
Donated investment	27,000
Unrealized gain on investment	<u>4,216</u>
Balance June 30, 2014	31,216
Unrealized (loss) on investment	<u>(4,953)</u>
Balance June 30, 2015	<u>\$ 26,263</u>

The English-Speaking Union's investment classified as Level 3 consists of an investment in a private equity fund that invests primarily in private companies and private equity partnerships operating in the United States. The fair value of the investment is determined by the management of the investee and is based on a variety of factors including consideration of current operating performance and future expectations of the particular investment, discounted cash flow analysis, valuations of comparable companies and comparable acquisition values of changes in market outlook. The fair value of the investment is reviewed and analyzed by the English-Speaking Union's management and is based on the English-Speaking Union's share of net assets in the investee. This investment cannot be redeemed with the funds. Instead the nature of the investment is that distributions are received through liquidation of the underlying investments of the fund.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

5. Investments and Investment Return (continued)

The English-Speaking Union has adopted the total return concept for the purpose of appropriating earnings from its combined investments for expenditure. The budgeted annual distribution rate was 5% of the three year average market value of the combined portfolio. The following is a summary of the investment returns for the fiscal years ended June 30, 2015 and 2014.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>
Dividends and interest	\$ 336,130	\$ 30,977	\$ 367,107
Unrealized appreciation	53,796	4,958	58,754
Realized gain on investment sales	431,883	39,801	471,684
Custody and advisory fees	<u>(60,077)</u>	<u>(5,537)</u>	<u>(65,614)</u>
Total Investment Return	<u>761,732</u>	<u>70,199</u>	<u>831,931</u>
Allocated to operations:			
General operations	459,156	-	459,156
Speaker and member services	5,061	-	5,061
Education	74,479	26,585	101,064
Book services	<u>-</u>	<u>29,864</u>	<u>29,864</u>
Total Allocated to Operations	<u>538,696</u>	<u>56,449</u>	<u>595,145</u>
Allocated to Non-operating Activities	<u>\$ 223,036</u>	<u>\$ 13,750</u>	<u>\$ 236,786</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>
Dividends and interest	\$ 348,149	\$ 24,921	\$ 373,070
Unrealized appreciation	1,427,213	102,162	1,529,375
Realized gain on investment sales	694,736	49,730	744,466
Custody and advisory fees	<u>(43,129)</u>	<u>(3,158)</u>	<u>(46,287)</u>
Total Investment Return	<u>2,426,969</u>	<u>173,655</u>	<u>2,600,624</u>
Allocated to operations:			
General operations	429,950	-	429,950
Speaker and member	4,596	-	4,596
Education	65,364	26,119	91,483
Book services	<u>-</u>	<u>30,327</u>	<u>30,327</u>
Total Allocated to Operations	<u>499,910</u>	<u>56,446</u>	<u>556,356</u>
Allocated to Non-operating Activities	<u>\$ 1,927,059</u>	<u>\$ 117,209</u>	<u>\$ 2,044,268</u>

**The English-Speaking Union of the United States -
National Headquarters**

Notes to Financial Statements
June 30, 2015 and 2014

5. Investments and Investment Return (continued)

The following is a reconciliation of the investment activity for fiscal years 2015 and 2014 in the donor restricted and unrestricted board designated funds:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2013	\$ 10,166,453	\$606,278	\$ 500,840	\$ 11,273,571
Contributions	62,533	9,020	1,675	73,228
Interest and dividends	348,149	24,921	-	373,070
Unrealized appreciation	1,427,213	102,162	-	1,529,375
Realized appreciation	694,736	49,730	-	744,466
Custody fees	(43,129)	(3,158)	-	(46,287)
Repayment of line of credit	(299,000)	-	-	(299,000)
Appropriation for expenditure	<u>(537,095)</u>	<u>(72,464)</u>	-	<u>(609,559)</u>
Balance, June 30, 2014	11,819,860	716,489	502,515	13,038,864
Contributions	46,671	14,490	-	61,161
Interest and dividends	336,130	30,977	-	367,107
Unrealized appreciation	53,796	4,958	-	58,754
Realized appreciation	431,883	39,801	-	471,684
Custody fees	(60,077)	(5,537)	-	(65,614)
Appropriation for expenditure	<u>(561,027)</u>	<u>(88,218)</u>	-	<u>(649,245)</u>
Balance, June 30, 2015	<u>\$ 12,067,236</u>	<u>\$712,960</u>	<u>\$ 502,515</u>	<u>\$ 13,282,711</u>

Interpretation of Relevant Law

The Board of Directors of the English-Speaking Union has interpreted New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation 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, the English-Speaking Union classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

**The English-Speaking Union of the United States -
National Headquarters**

Notes to Financial Statements
June 30, 2015 and 2014

6. Headquarters Building and Office Equipment

Building and office equipment at June 30 consisted of the following:

	2015	2014
Land	\$ 930,900	\$ 930,900
Building and improvements	<u>3,411,709</u>	<u>3,408,919</u>
	4,342,609	4,339,819
Less accumulated depreciation	<u>1,167,576</u>	<u>1,074,746</u>
	<u><u>\$3,175,033</u></u>	<u><u>\$3,265,073</u></u>
Office equipment	\$ 137,509	\$ 137,509
Less accumulated depreciation	<u>107,011</u>	<u>97,478</u>
	<u><u>\$ 30,498</u></u>	<u><u>\$ 40,031</u></u>

Depreciation expense for the years ended June 30, 2015 and 2014 in the amounts of \$102,363 and \$107,481 has been allocated to various programs (\$65,474 and \$69,078) and supporting services (\$36,889 and \$38,403) based on management's estimate of the benefit provided. Office equipment includes an asset held under a capital lease totaling \$40,272 and related accumulated depreciation of \$25,170 and \$15,102 at June 30, 2015 and 2014.

7. Line of Credit Payable

The English-Speaking Union maintains a line of credit agreement with a bank that allows for borrowings up to \$300,000. Outstanding borrowings at June 30, 2015 and 2014 at \$151,000 and \$1,000 bear interest at the higher of 2% or LIBOR plus 250 basis points and are due upon demand. The actual interest rate for June 30, 2015 and 2014 equaled approximately 2.7%. The agreement is secured by certain unrestricted investments held at the bank.

8. Equipment Lease

The English-Speaking Union is committed under a capital lease for office equipment. The lease expires in December 2016 and provides for minimum annual payments as follows:

Year Ending June 30	
2016	\$10,068
2017	<u>5,034</u>
Total Lease Payments	<u><u>\$15,102</u></u>

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

9. Restatement

A portion of the beginning fiscal year 2014 temporarily restricted net assets totaling \$22,100 was reclassified to unrestricted net assets.

In addition, \$43,225 of previously restricted net assets were released from restriction during fiscal 2014 to properly reflect the release of donor stipulated funds. A summary of the restatement of prior year's financial statements is as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Adjusted</u>
Beginning fiscal 2014 Temporarily restricted net assets	\$ 1,103,029	\$ (22,100)	\$ 1,080,929
Beginning fiscal 2014 Unrestricted net assets	13,366,781	22,100	13,388,881
Net assets released from restriction during fiscal 2014	365,386	43,225	408,611

10. Temporarily Restricted Net Assets

Temporarily restricted net assets, at June 30, 2015 and 2014 are to be used for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Education	\$ 483,373	\$ 721,077
Book services	<u>329,934</u>	<u>331,866</u>
Total Temporarily Restricted Net Assets	<u>\$ 813,307</u>	<u>\$1,052,943</u>

During the years ended June 30, 2015 and 2014, the restrictions on certain temporarily restricted net assets were satisfied as follows:

	<u>2015</u>	<u>2014</u>
Education	\$ 470,416	\$ 378,284
Book services	<u>29,864</u>	<u>30,327</u>
Net Assets Released From Restrictions	<u>\$ 500,280</u>	<u>\$ 408,611</u>

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2015 and 2014

11. Permanently Restricted Net Assets

Permanently restricted net assets, at June 30, 2015 and 2014 represent gifts which have been restricted by the donor in perpetuity, and from which the income is to be used for the following purposes:

	<u>2015</u>	<u>2014</u>
Education	\$ 200,750	\$ 200,750
Book services	<u>301,765</u>	<u>301,765</u>
Total Permanently Restricted Net Assets	<u>\$ 502,515</u>	<u>\$ 502,515</u>

12. Pension Plan

Eligible employees of the English-Speaking Union participate in a money purchase pension plan, as defined in Section 403(b) of the Internal Revenue Code. Employer contributions are made for eligible employees at the rate of 7.5% of covered compensation. Pension expense amounted to \$40,596 and \$42,486 for the years ended June 30, 2015 and 2014.

13. Related Party Transactions

As described in Note 1, ESU has seventy branches across the United States which are affiliated with the English-Speaking Union through individual Certificates of Authority and provisions in their by-laws and other governing instruments. The English-Speaking Union provides various services to its branches including, among other things, membership dues billing and collection services and program and grant support. Most of these services are provided at no cost to the branches as part of the mission of the ESU. However, during the years ended June 30, 2015 and 2014, \$189,688 and \$48,444 of income was received by the English-Speaking Union from its branches for certain of such services and is included in operating revenue in the statement of activities. At June 30, 2015 and 2014, \$8,685 and \$6,421 of accounts receivable and \$62,150 and \$91,656 of accounts payable were attributable to various transactions with the branches.

A member of the English-Speaking Union's board is a partner in a law firm which provides legal services to the English-Speaking Union. Legal service fees totaling \$7,847 and \$2,638 were paid to the law firm in fiscal 2015 and fiscal 2014.

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