

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

Financial Statements

June 30, 2016 and 2015

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, 2016 and 2015, 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.

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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, 2016 and 2015 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.

Other Matter

The accompanying financial statements reflect the financial position and operations of The English-Speaking Union of the United States - 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.

PKF O'Connor Davies, LLP

October 21, 2016

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

Statements of Financial Position

	June 30	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 136,952	\$ 129,426
Accounts receivable	9,848	8,685
Promises to give receivable	386,631	8,260
Prepaid expenses and deposits	7,203	4,763
Investments, at fair value	12,164,728	13,538,510
Headquarters building, net of accumulated depreciation	3,123,442	3,175,033
Office equipment, net of accumulated depreciation	15,167	30,498
	\$ 15,843,971	\$ 16,895,175
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 184,154	\$ 249,134
Line of credit payable	1,000	151,000
Equipment leases payable	4,866	15,102
Total Liabilities	190,020	415,236
 Net Assets		
Unrestricted		
Investment in headquarters building	3,123,442	3,175,033
Board designated	10,752,835	12,067,236
Undesignated	181,458	(78,152)
Total Unrestricted	14,057,735	15,164,117
Temporarily restricted	1,083,631	813,307
Permanently restricted	512,585	502,515
Total Net Assets	15,653,951	16,479,939
	\$ 15,843,971	\$ 16,895,175

See notes to financial statements

**The English-Speaking Union of the United States -
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Statement of Activities
Year Ended June 30, 2016
(with summarized totals for year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
OPERATING REVENUE AND SUPPORT					
Membership dues	\$ 315,559	\$ -	\$ -	\$ 315,559	\$ 336,539
Less dues reimbursed to local branches	(166,161)	-	-	(166,161)	(172,610)
Board allocated investment income	484,954	-	-	484,954	459,156
Speakers and conferences	39,754	-	-	39,754	26,528
Education	642,124	860,592	-	1,502,716	805,508
Book services	-	31,542	-	31,542	29,864
General contributions	259,883	-	-	259,883	237,989
Less contributions reimbursed to local branches	(89,921)	-	-	(89,921)	(94,858)
Special events and other income, net of event expenses of \$4,200 and \$24,729	70,742	-	-	70,742	24,967
Net assets released from restrictions	560,934	(560,934)	-	-	-
Total Operating Revenue and Support	<u>2,117,868</u>	<u>331,200</u>	<u>-</u>	<u>2,449,068</u>	<u>1,653,083</u>
OPERATING EXPENSES					
Program Services					
Membership services	97,375	-	-	97,375	109,878
Speakers and conferences	111,578	-	-	111,578	114,410
Education	1,130,101	-	-	1,130,101	1,083,305
Book services	33,957	-	-	33,957	21,263
Communications	74,818	-	-	74,818	77,117
Branch services	126,376	-	-	126,376	-
Total Program Services	<u>1,574,205</u>	<u>-</u>	<u>-</u>	<u>1,574,205</u>	<u>1,405,973</u>
Supporting Services					
Management and general	496,427	-	-	496,427	518,763
Fundraising	140,173	-	-	140,173	130,701
Total Supporting Services	<u>636,600</u>	<u>-</u>	<u>-</u>	<u>636,600</u>	<u>649,464</u>
Total Operating Expenses	<u>2,210,805</u>	<u>-</u>	<u>-</u>	<u>2,210,805</u>	<u>2,055,437</u>
Change in Net Assets from Operations	(92,937)	331,200	-	238,263	(402,354)
NON-OPERATING ITEMS					
Investment return, net of allocations	(1,013,445)	(60,876)	-	(1,074,321)	236,786
Endowment gift	-	-	10,070	10,070	-
Change in Net Assets	<u>(1,106,382)</u>	<u>270,324</u>	<u>10,070</u>	<u>(825,988)</u>	<u>(165,568)</u>
NET ASSETS					
Beginning 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>
End of year	<u>\$ 14,057,735</u>	<u>\$ 1,083,631</u>	<u>\$ 512,585</u>	<u>\$ 15,653,951</u>	<u>\$ 16,479,939</u>

See notes to financial statements

**The English-Speaking Union of the United States -
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Statement of Activities
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT				
Membership dues	\$ 336,539	\$ -	\$ -	\$ 336,539
Less dues reimbursed to local branches	(172,610)	-	-	(172,610)
Board allocated investment income	459,156	-	-	459,156
Speakers and conferences	26,528	-	-	26,528
Education	588,478	217,030	-	805,508
Book services	-	29,864	-	29,864
General contributions	237,989	-	-	237,989
Less contributions reimbursed to local branches	(94,858)	-	-	(94,858)
Special events and other income, net of event expenses of \$24,729	24,967	-	-	24,967
Net assets released from restrictions	<u>500,280</u>	<u>(500,280)</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>
OPERATING EXPENSES				
Program Services				
Membership services	109,878	-	-	109,878
Speakers and conferences	114,410	-	-	114,410
Education	1,083,305	-	-	1,083,305
Book services	21,263	-	-	21,263
Communications	77,117	-	-	77,117
Total Program Services	<u>1,405,973</u>	<u>-</u>	<u>-</u>	<u>1,405,973</u>
Supporting Services				
Management and general	518,763	-	-	518,763
Fundraising	130,701	-	-	130,701
Total Supporting Services	<u>649,464</u>	<u>-</u>	<u>-</u>	<u>649,464</u>
Total Operating Expenses	<u>2,055,437</u>	<u>-</u>	<u>-</u>	<u>2,055,437</u>
Change in Net Assets from Operations	(148,968)	(253,386)	-	(402,354)
NON-OPERATING ITEMS				
Investment return, net of allocations	<u>223,036</u>	<u>13,750</u>	<u>-</u>	<u>236,786</u>
Change in Net Assets	74,068	(239,636)	-	(165,568)
NET ASSETS				
Beginning of year	<u>15,090,049</u>	<u>1,052,943</u>	<u>502,515</u>	<u>16,645,507</u>
End of year	<u>\$ 15,164,117</u>	<u>\$ 813,307</u>	<u>\$ 502,515</u>	<u>\$ 16,479,939</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	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (825,988)	\$ (165,568)
Adjustments to reconcile change in net assets to net cash (used) by operating activities		
Permanently restricted gift	(10,070)	-
Net realized and unrealized loss (gain) on investments	676,034	(530,438)
Depreciation	108,255	102,363
Changes in Operating Assets and Liabilities		
Accounts receivable	(1,163)	32,034
Promises to give receivable	(378,371)	183,240
Prepaid expenses and deposits	(2,440)	4,441
Accounts payable and accrued expenses	<u>(64,980)</u>	<u>(78,953)</u>
Total Adjustments	<u>327,265</u>	<u>(287,313)</u>
Net Cash (Used) by Operating Activities	<u>(498,723)</u>	<u>(452,881)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and building improvements	(41,333)	(2,790)
Proceeds from sales/maturities of investments	6,055,354	6,580,689
Purchases of investments	<u>(5,357,606)</u>	<u>(6,283,990)</u>
Net Cash Provided by Investing Activities	<u>656,415</u>	<u>293,909</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment of) proceeds from line of credit payable	(150,000)	150,000
Permanently restricted gift	10,070	-
Principal payments on equipment leases	<u>(10,236)</u>	<u>(10,068)</u>
Net Cash Provided (Used) by Financing Activities	<u>(150,166)</u>	<u>139,932</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>129,426</u>	<u>148,466</u>
End of year	<u>\$ 136,952</u>	<u>\$ 129,426</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 4,430	\$ 870

See notes to financial statements

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

Notes to Financial Statements
June 30, 2016 and 2015

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.

Effective July 1, 2016, the branches of ESU were reorganized and were legally set up as single limited liability companies in the State of Delaware with the English Speaking Union - National Headquarters serving as the branches’ sole member. Therefore commencing for the year ending June 30, 2017, despite the English-Speaking Union and each of the branches continuing to operate separately, the financial operations of all entities will be consolidated and reported as one entity for financial reporting and income tax reporting purposes.

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 Asset 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, 2016 and 2015

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.

During fiscal 2016, the English-Speaking Union adopted new U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the NAV per share as a practical expedient. The adoption of this guidance had no effect on the carrying value of such investments.

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, 2016 and 2015.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2016 and 2015

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 statements 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 statements of activities for each of the years ended June 30, 2016 and 2015 was \$52,500 all of which was allocated to program services.

Operating Measure

The English-Speaking Union classifies its activities in its accompanying statements 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.

Reclassification

Certain information in the fiscal 2015 financial statements was reclassified to conform to the fiscal 2016 presentation.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2016 and 2015

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, 2013.

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 21, 2016.

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 \$386,631 at June 30, 2016 is due to be collected within two years, as the amount pledged per year is \$193,315 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 \$8,260 at June 30, 2015 was collected during the fiscal year ended June 30, 2016.

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, 2016 and 2015

5. Investments and Investment Return (continued)

The following are the classes and major categories of investments at June 30, 2016 and 2015 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

<u>2016</u> Description	<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	\$ -	\$ 809,201	\$ -	\$ 809,201
Government agency securities	-	250,038	-	250,038
GNMA	-	1,090	-	1,090
Bond funds	756,794	-	-	756,794
Preferred stock	1,491,240	-	-	1,491,240
	<u>2,248,034</u>	<u>1,060,329</u>	<u>-</u>	<u>3,308,363</u>
Equity Securities				
Basic materials	168,869	-	-	168,869
Industrials	2,108,621	-	-	2,108,621
Consumer discretionary	2,330,805	-	-	2,330,805
Healthcare	1,456,496	-	-	1,456,496
Consumer staples	277,699	-	-	277,699
Energy	378,127	-	-	378,127
Financial	63,990	-	-	63,990
Technology	1,643,469	-	-	1,643,469
Other	33,440	-	-	33,440
	<u>8,461,516</u>	<u>-</u>	<u>-</u>	<u>8,461,516</u>
Other				
Private equity	-	-	-	16,481
Total Investments at Fair Value	<u>\$10,709,550</u>	<u>\$1,060,329</u>	<u>\$ -</u>	<u>11,786,360</u>
Temporary cash investment at cost				<u>378,368</u>
Total Investments				<u>\$ 12,164,728</u>

**The English-Speaking Union of the United States -
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Notes to Financial Statements
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5. Investments and Investment Return (continued)

<u>2015</u> Description	<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
Total Investments at Fair Value	<u>\$ 11,390,124</u>	<u>\$ 1,210,038</u>	<u>\$ -</u>	12,626,425
Temporary cash investment at cost				912,085
Total Investments				<u>\$ 13,538,510</u>

As discussed in note 2, investments measured using NAV per share as a practical expedient are not classified within the fair value hierarchy. As of June 30, 2016 and 2015, the English-Speaking Union's investment valued at \$16,481 and \$26,263 was invested solely in a private equity fund that invests primarily in private companies and private equity partnerships operating in the United States.

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
Dividends and interest	\$ 304,197	\$ 858	\$ 305,055
Unrealized depreciation	(930,415)	(2,625)	(933,040)
Realized gain on investment sales	256,283	723	257,006
Custody and advisory fees	<u>(74,547)</u>	<u>(210)</u>	<u>(74,757)</u>
Total Investment Return	<u>(444,482)</u>	<u>(1,254)</u>	<u>(445,736)</u>
Allocated to operations:			
General operations	484,954	-	484,954
Speaker and member services	5,346	-	5,346
Education	78,663	28,080	106,743
Book services	<u>-</u>	<u>31,542</u>	<u>31,542</u>
Total Allocated to Operations	<u>568,963</u>	<u>59,622</u>	<u>628,585</u>
Allocated to Non-operating Activities	<u><u>\$(1,013,445)</u></u>	<u><u>\$ (60,876)</u></u>	<u><u>\$(1,074,321)</u></u>
	<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><u>\$ 223,036</u></u>	<u><u>\$ 13,750</u></u>	<u><u>\$ 236,786</u></u>

**The English-Speaking Union of the United States -
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Notes to Financial Statements
June 30, 2016 and 2015

5. Investments and Investment Return (continued)

The following is a reconciliation of the investment activity for fiscal years 2016 and 2015 in the donor restricted and unrestricted board designated funds:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
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	12,067,236	712,960	502,515	13,282,711
Contributions	53,120	12,375	10,070	75,565
Interest and dividends	304,197	858	-	305,055
Unrealized depreciation	(930,415)	(2,625)	-	(933,040)
Realized appreciation	256,283	723	-	257,006
Custody fees	(74,547)	(210)	-	(74,757)
Repayment of line of credit	(250,000)	-	-	(250,000)
Capital costs	(80,000)	-	-	(80,000)
Appropriation for expenditure	<u>(593,039)</u>	<u>(109,611)</u>	-	<u>(702,650)</u>
Balance, June 30, 2016	<u>\$ 10,752,835</u>	<u>\$ 614,470</u>	<u>\$ 512,585</u>	<u>\$ 11,879,890</u>

Interpretation of Relevant Law

The Board of Directors of the English-Speaking Union have 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.

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Notes to Financial Statements
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6. Headquarters Building and Office Equipment

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

	2016	2015
Land	\$ 930,900	\$ 930,900
Building and improvements	<u>3,453,042</u>	<u>3,411,709</u>
	4,383,942	4,342,609
Less accumulated depreciation	<u>1,260,500</u>	<u>1,167,576</u>
	<u><u>\$3,123,442</u></u>	<u><u>\$3,175,033</u></u>
Office equipment	\$ 137,509	\$ 137,509
Less accumulated depreciation	<u>122,342</u>	<u>107,011</u>
	<u><u>\$ 15,167</u></u>	<u><u>\$ 30,498</u></u>

Depreciation expense for the years ended June 30, 2016 and 2015 in the amounts of \$108,255 and \$102,363 has been allocated to various programs (\$86,604 and \$65,474) and supporting services (\$21,651 and \$36,889) based on management's estimate of the benefit. Office equipment includes an asset held under a capital lease totaling \$40,272 and related accumulated depreciation of \$30,204 and \$25,170 at June 30, 2016 and 2015.

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, 2016 and 2015 at \$1,000 and \$151,000 bear interest at the higher of 2% or LIBOR plus 250 basis points and are due upon demand. In the current year The English Speaking Union drew down upon the line of credit up to \$250,000, and repaid the amount in full, prior to June 30, 2016. The actual interest rate for June 30, 2016 and 2015 was 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 remaining minimum annual payments aggregating \$5,034.

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9. Temporarily Restricted Net Assets

Temporarily restricted net assets, at June 30, 2016 and 2015 are to be used for the following purposes or periods:

	2016	2015
Education	\$ 788,652	\$ 483,373
Book services	<u>294,979</u>	<u>329,934</u>
Total Temporarily Restricted Net Assets	<u>\$1,083,631</u>	<u>\$ 813,307</u>

During the years ended June 30, 2016 and 2015, the restrictions on certain temporarily restricted net assets were satisfied as follows:

	2016	2015
Education	\$ 522,610	\$ 462,115
Book services	<u>38,324</u>	<u>38,165</u>
Net Assets Released From Restrictions	<u>\$ 560,934</u>	<u>\$ 500,280</u>

10. Permanently Restricted Net Assets

Permanently restricted net assets, at June 30, 2016 and 2015 represent gifts which have been restricted by the donor in perpetuity, and from which the income is to be used for the following purposes:

	2016	2015
Education	\$ 210,820	\$ 200,750
Book services	<u>301,765</u>	<u>301,765</u>
Total Permanently Restricted Net Assets	<u>\$ 512,585</u>	<u>\$ 502,515</u>

11. 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 \$51,931 and \$40,596 for the years ended June 30, 2016 and 2015.

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12. 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, 2016 and 2015, \$254,285 and \$189,688 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 statements of activities. At June 30, 2016 and 2015, \$9,848 and \$8,685 of accounts receivable and \$59,150 and \$62,150 of accounts payable and accrued expenses 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 \$38,617 and \$7,847 were paid to the law firm in fiscal 2016 and fiscal 2015.

A member of the English-Speaking Union's board is a director of an institute that provides post-graduate students from abroad with year long internships. The English-Speaking Union engaged an intern from the institute at a 50% discount or \$18,750. In addition, the English-Speaking Union paid the institute \$12,000 in rental fees for renting a classroom for one of the English-Speaking Union's education programs when the headquarters was unavailable due to a flood.

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