

The English-Speaking Union of the United States

Consolidated Financial Statements

June 30, 2023

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of The English-Speaking Union of the United States ("ESU") which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ESU as of June 30, 2023 and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ESU and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 ESU'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ESU'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.

Report on Summarized Comparative Information

We have previously audited The English-Speaking Union of the United States' June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

August 30, 2024

The English-Speaking Union of the United States

Consolidated Statement of Financial Position June 30, 2023 (with comparative amounts at June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,725,457	\$ 2,057,047
Certificates of deposit	317,075	290,399
Accounts receivable	175,007	231,100
Prepaid expenses and other assets	5,025	47,544
Investments held by National Headquarters, at fair value	12,391,441	11,642,531
Investments held by branches, at fair value	7,954,993	7,007,289
Headquarters building, net of accumulated depreciation	3,288,155	3,459,537
Office equipment and fixtures, net of accumulated depreciation	27,286	50,667
Donated artwork	64,733	-
	\$ 25,949,172	\$ 24,786,114
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 457,340	\$ 467,708
Deferred revenue	-	142,616
Capital lease payable	7,898	25,915
Total Liabilities	465,238	636,239
 Net Assets		
Without Donor Restrictions		
Investment in headquarters building and office equipment	3,315,178	3,510,184
Board designated	9,706,420	9,470,812
Undesignated	6,409,044	5,647,380
Total Net Assets Without Donor Restrictions	19,430,642	18,628,376
With Donor Restrictions		
Time and purpose restricted	3,166,071	2,650,118
Perpetual in nature	2,887,221	2,871,381
Total Net Assets	25,483,934	24,149,875
	\$ 25,949,172	\$ 24,786,114

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Activities Year Ended June 30, 2023 (with summarized totals for the year ended June 30, 2022)

	Without Donor Restrictions			With Donor Restrictions			Total 2023	Total 2022
	Undesignated	Board Designated	Investment in Building and Office Equipment	Total	Time and Purpose Restricted	Perpetual In Nature		
OPERATING REVENUE AND SUPPORT								
Operating Revenue								
Membership dues	\$ 276,325	\$ -	\$ -	\$ 276,325	\$ -	\$ -	\$ 276,325	\$ 260,432
Education	240,669	-	-	240,669	-	-	240,669	121,286
Total Operating Revenue	516,994	-	-	516,994	-	-	516,994	381,718
Contributions	397,305	-	-	397,305	344,781	15,840	757,926	615,603
Contributed nonfinancial assets	123,033	-	-	123,033	-	-	123,033	58,300
Allocated investment income to operations	-	584,329	-	584,329	184,117	-	768,446	811,785
Appropriations for expenditure	974,951	(974,951)	-	-	-	-	-	-
Speakers and conferences	440,888	-	-	440,888	-	-	440,888	355,884
Special events income, net of event expenses of \$81,466 in 2023 and \$26,762 in 2022	424,550	-	-	424,550	-	-	424,550	20,953
Grant revenue	-	-	-	-	-	-	-	186,085
Other revenue	187,844	-	-	187,844	-	-	187,844	165,214
Transfers from Board designated reserves - HQ	214,755	(214,755)	-	-	-	-	-	-
Transfers from Board designated reserves - branches	9,466	(9,466)	-	-	-	-	-	-
Net assets released from restrictions	597,407	-	-	597,407	(597,407)	-	-	-
Total Operating Revenue and Support	<u>3,887,193</u>	<u>(614,843)</u>	<u>-</u>	<u>3,272,350</u>	<u>(68,509)</u>	<u>15,840</u>	<u>3,219,681</u>	<u>2,595,542</u>
OPERATING EXPENSES								
Program Services								
Membership services	92,355	-	4,290	96,645	-	-	96,645	117,645
Speakers and conferences	100,048	-	4,652	104,700	-	-	104,700	28,418
Branch services	253,785	-	11,784	265,569	-	-	265,569	307,023
Communications	14,010	-	651	14,661	-	-	14,661	4,649
Education	1,765,316	-	81,993	1,847,309	-	-	1,847,309	1,562,543
Branch events and meetings	480,705	-	-	480,705	-	-	480,705	459,581
Total Program Services	<u>2,706,219</u>	<u>-</u>	<u>103,370</u>	<u>2,809,589</u>	<u>-</u>	<u>-</u>	<u>2,809,589</u>	<u>2,479,859</u>
Supporting Services								
Management and general	742,392	-	-	742,392	-	-	742,392	667,142
Fundraising	80,352	-	-	80,352	-	-	80,352	84,236
Depreciation and amortization	-	-	103,370	103,370	-	-	103,370	102,613
Total Supporting Services	<u>822,744</u>	<u>-</u>	<u>103,370</u>	<u>926,114</u>	<u>-</u>	<u>-</u>	<u>926,114</u>	<u>853,991</u>
Total Operating Expenses	<u>3,528,963</u>	<u>-</u>	<u>206,740</u>	<u>3,735,703</u>	<u>-</u>	<u>-</u>	<u>3,735,703</u>	<u>3,333,850</u>
Change in Net Assets from Operations	358,230	(614,843)	(206,740)	(463,353)	(68,509)	15,840	(516,022)	(738,308)
NON-OPERATING ITEMS								
Investment return - National Headquarters	-	844,872	-	844,872	118,422	-	963,294	(3,860,081)
Investment return - branches	389,062	25,055	-	414,117	466,040	-	880,157	(1,594,096)
Other non-operating activity	26,106	(19,476)	-	6,630	-	-	6,630	(2,070)
Transfer of building and equipment purchases	(11,734)	-	11,734	-	-	-	-	-
Change in Net Assets	<u>761,664</u>	<u>235,608</u>	<u>(195,006)</u>	<u>802,266</u>	<u>515,953</u>	<u>15,840</u>	<u>1,334,059</u>	<u>(6,194,555)</u>
NET ASSETS								
Beginning of year	<u>5,647,380</u>	<u>9,470,812</u>	<u>3,510,184</u>	<u>18,628,376</u>	<u>2,650,118</u>	<u>2,871,381</u>	<u>24,149,875</u>	<u>30,344,430</u>
End of year	<u>\$ 6,409,044</u>	<u>\$ 9,706,420</u>	<u>\$ 3,315,178</u>	<u>\$ 19,430,642</u>	<u>\$ 3,166,071</u>	<u>\$ 2,887,221</u>	<u>\$ 25,483,934</u>	<u>\$ 24,149,875</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2023 (with summarized totals for the year ended June 30, 2022)

	Program Services						Management and General	Fundraising	Total Expenses 2023	Total Expenses 2022	
	Membership Services	Speakers and Conferences	Branch Services	Communications	Education	Branch Events and Meetings					Total Programs
Salaries, payroll taxes and benefits	\$ 55,733	\$ 10,018	\$ 202,860	\$ -	\$ 602,795	\$ -	\$ 871,406	\$ 179,415	\$ 5,431	\$ 1,056,252	\$ 1,106,472
Professional and consulting fees	7,651	21,810	20,230	13,447	263,141	-	326,279	137,968	49,625	513,872	715,059
Scholarships and awards	750	5,683	-	-	238,763	-	245,196	172	4,183	249,551	55,127
Travel and meetings	128	57,538	1,488	-	267,239	-	326,393	12,533	95,971	434,897	32,218
Occupancy (utilities and maintenance)	5,337	959	19,424	-	59,118	-	84,838	27,363	-	112,201	137,268
In-kind rent	-	-	-	-	58,300	-	58,300	-	-	58,300	58,300
Branch events and meetings	-	-	-	-	245,154	480,705	725,859	265,799	-	991,658	758,974
Administrative and miscellaneous	22,756	3,246	9,633	563	30,581	-	66,779	45,786	6,608	119,173	203,208
Insurance and finance fees	-	794	150	-	225	-	1,169	73,356	-	74,525	88,770
Total Expenses Before Depreciation	92,355	100,048	253,785	14,010	1,765,316	480,705	2,706,219	742,392	161,818	3,610,429	3,155,396
Add: Depreciation and amortization	4,290	4,652	11,784	651	81,993	-	103,370	103,370	-	206,740	205,216
Less: Costs with direct benefits to donors	-	-	-	-	-	-	-	-	(81,466)	(81,466)	(26,762)
Total Expenses	\$ 96,645	\$ 104,700	\$ 265,569	\$ 14,661	\$ 1,847,309	\$ 480,705	\$ 2,809,589	\$ 845,762	\$ 80,352	\$ 3,735,703	\$ 3,333,850

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Cash Flows Year Ended June 30, 2023 (with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,334,059	\$ (6,194,555)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gain) loss on investments	(2,186,748)	4,902,774
Depreciation and amortization	206,740	205,216
Forgiveness of paycheck protection program loan	-	(187,912)
Receipt of donated fixtures	(64,733)	(5,800)
Changes in Operating Assets and Liabilities		
Accounts receivable	56,093	30,283
Prepaid expenses and other assets	42,519	(47,544)
Deferred revenue	(142,616)	142,616
Accounts payable and accrued expenses	(10,368)	223,080
Total Adjustments	<u>(2,099,113)</u>	<u>5,262,713</u>
Net Cash From Operating Activities	<u>(765,054)</u>	<u>(931,842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) redemption of certificates of deposit, net	(26,676)	45,227
Purchase of equipment and building improvements	(11,977)	(5,954)
Net proceeds from investments	490,134	986,789
Net Cash From Investing Activities	<u>451,481</u>	<u>1,026,062</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease	(18,017)	(29,759)
Increase (Decrease) in Cash and Cash Equivalents	(331,590)	64,461
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,057,047</u>	<u>1,992,586</u>
End of year	<u>\$ 1,725,457</u>	<u>\$ 2,057,047</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Forgiveness of paycheck protection program loan	<u>\$ -</u>	<u>\$ 187,912</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 with headquarters located in New York, NY (HQ). Sixty-five branches of ESU operate through independent governing boards throughout the United States. These branches supported their own scholarships and programs as well as those of HQ. Since 1920, ESU has grown to include a broad domestic education and exchange base in the United States.

Effective July 1, 2016, substantially all of the branches of ESU were reorganized as single member limited liability companies in the State of Delaware with HQ serving as the branches’ sole member. Therefore, commencing for the year ended June 30, 2017, the financial operations of HQ and the LLC branches (the “branches”) were consolidated and reported as one entity for financial reporting purposes.

ESU is exempt from income tax under Sections 501(c)(3) and 509(a) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated 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.

Principles of Consolidation

The consolidated financial statements include the accounts of HQ and the branches. All significant intercompany transactions and accounts have been eliminated in consolidation.

Revenue and Revenue Recognition

ESU recognizes program revenue at a point in time in which the performance obligation is satisfied. If revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned (i.e. membership fees). Based on ESU’s strong collection experience, ESU has concluded that all revenue recognized is probable of collection. There were no contract assets as of June 30, 2023 and 2022. Contract liabilities consisted of deferred revenue of \$0 and \$142,616 as of June 30, 2023 and 2022. Accounts receivable was \$261,383 as of June 30, 2021.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions - consist of resources available for the general support of ESU's operations. These net assets may be used at the discretion of ESU's management and Board of Directors (the "Board").

With donor restrictions - represent amounts restricted by donors for specific activities of ESU or to be used at some future date. ESU records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. Income and gains earned on endowment fund investments are available to be used in the 'with donor restrictions' or 'without donor restrictions' net asset classes upon stipulations by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For statement of cash flow purposes, ESU 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.

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest and consists of maturities of more than three months when acquired.

Fair Value Measurements

ESU 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.

ESU follows US GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

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.

Headquarters Building, Building Improvements and Office Equipment

ESU 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.

ESU 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, 2023 and 2022.

Contributions

Contributions received, including unconditional promises to give, are recognized as support in the period received at their fair value. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Membership Dues

Revenue from membership dues are recognized as support over the membership period.

Gifts-in-Kind

Contributions of services and use of facilities are recognized at their fair value as revenue and expense in the consolidated statement of activities for the years ended June 30, 2023 and 2022.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Gifts-in-Kind (continued)

ESU received contributed nonfinancial assets as follows for the years ended June 30:

	2023	2022	Utilization in Programs / Activities	Donor Restrictions	Valuation Techniques and Inputs
Rent	\$ 58,300	\$ 58,300	Allocated across all functions	None	Estimated based on market values of similar space rentals
Artwork	<u>64,733</u>	<u>-</u>	Held for display	None	Estimated based on original purchase price
	<u>\$ 123,033</u>	<u>\$ 58,300</u>			

Operating Measure

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

Non-operating activities principally include investment return in excess of (or less than) amounts authorized for expenditure by ESU'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.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct program costs are allocated directly to programs. Costs identifiable to a particular function are directly charged to the program or supporting service. Other costs, such as meals and transportation, building-related expenses, and general business expenses, are allocated based on the percentage of overall salary allocation or square footage, whichever is more appropriate.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

ESU recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that ESU had no uncertain tax positions that would require financial statement disclosure or recognition. ESU is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is August 30, 2024.

3. Credit Risk Concentration

Certain financial instruments potentially subject ESU to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, certificates of deposit, investments and receivables. ESU's cash and investments are held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 and the Securities Investor Protection Corporation ("SIPC") up to \$500,000. At times cash and cash equivalents and investment balances held at these financial institutions may exceed insured limits. ESU does not have a material concentration of credit risk with respect to accounts and promises to give receivable.

4. Investments and Investment Return

ESU 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.

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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

4. Investments and Investment Return *(continued)*

The following are the types of investments held by HQ at June 30, 2023 and 2022 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

2023

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments at Fair Value by Level of Input			
Fixed income	\$ -	\$ 1,908,146	\$ 1,908,146
Equity securities	<u>10,407,053</u>	<u>-</u>	<u>10,407,053</u>
Total Investments at Fair Value	<u>\$ 10,407,053</u>	<u>\$ 1,908,146</u>	12,315,199
Temporary cash investment at cost			76,242
Total Investments			<u>\$ 12,391,441</u>

2022

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments at Fair Value by Level of Input			
Fixed income	\$ -	\$ 1,597,256	\$ 1,597,256
Equity securities	<u>9,711,731</u>	<u>-</u>	<u>9,711,731</u>
Total Investments at Fair Value	<u>\$ 9,711,731</u>	<u>\$ 1,597,256</u>	11,308,987
Temporary cash investment at cost			333,544
Total Investments			<u>\$ 11,642,531</u>

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

4. Investments and Investment Return *(continued)*

The following are the types of investments held by the branches at June 30, 2023 and 2022 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

2023

Description	Level 1	Level 2	Level 3	Total
Investments at Fair Value by Level of Input				
Fixed income	\$ -	\$ 318,109	\$ -	\$ 318,109
Equity securities	5,272,157	-	-	5,272,157
Mutual funds	1,764,438	-	-	1,764,438
	<u>7,036,595</u>	<u>318,109</u>	<u>-</u>	<u>7,354,704</u>
Other				
Beneficial Interest in Trusts (i)	-	-	433,501	433,501
Total Investments at Fair Value	<u>\$ 7,036,595</u>	<u>\$ 318,109</u>	<u>\$ 433,501</u>	<u>7,788,205</u>
Temporary cash investment at cost				166,788
Total Investments				<u>\$ 7,954,993</u>

2022

Description	Level 1	Level 2	Level 3	Total
Investments at Fair Value by Level of Input				
Fixed income	\$ -	\$ 258,655	\$ -	\$ 258,655
Equity securities	4,642,515	-	-	4,642,515
Mutual funds	1,416,484	-	-	1,416,484
	<u>6,058,999</u>	<u>258,655</u>	<u>-</u>	<u>6,317,654</u>
Other				
Beneficial Interest in Trusts (i)	-	-	395,901	395,901
Total Investments at Fair Value	<u>\$ 6,058,999</u>	<u>\$ 258,655</u>	<u>\$ 395,901</u>	<u>6,713,555</u>
Temporary cash investment at cost				293,734
Total Investments				<u>\$ 7,007,289</u>

- (i) ESU maintains four beneficial interests in certain trusts administered by third parties. These trusts are valued at \$433,501 and \$395,901 at June 30, 2023 and 2022. As these trusts are controlled and invested by independent third parties, ESU records a beneficial interest for its ratable share of the assets based on the fair value of each trust's underlying assets. Changes in the beneficial interest in trusts is recorded as part of investment return – branches on the accompanying consolidated statement of activities.

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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

4. Investments and Investment Return (*continued*)

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable input (Level 3) during fiscal 2023 and 2022:

	Beneficial Interests in Trusts
Balance, June 30, 2021	\$ 480,692
Interest and dividends	18,873
Distributions	(29,042)
Fees and expenses	(3,209)
Unrealized loss	(71,413)
Balance, June 30, 2022	395,901
Interest and dividends	14,429
Contributions	2,590
Distributions	(5,721)
Fees and expenses	(2,856)
Unrealized gains	29,158
Balance, June 30, 2023	<u>\$ 433,501</u>

Return Objectives, Strategies Employed and Spending Policy

ESU has adopted the total return concept for the purpose of appropriating earnings for the purpose of appropriating earnings from its combined investments for expenditure. The budgeted annual distribution rate was 5% of the three year market value of the combined portfolios for the years ended June 30, 2023 and 2022.

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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

4. Investments and Investment Return *(continued)*

The following is a summary of the investment returns on the investments held by HQ for the fiscal years ended June 30, 2023 and 2022:

2023

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest	\$ 274,417	\$ 38,920	\$ 313,337
Unrealized gain	1,072,041	152,046	1,224,087
Realized gain on investment sales	138,533	19,648	158,181
Custody and advisory fees	(55,790)	(7,913)	(63,703)
Total Investment Return	<u>\$ 1,429,201</u>	<u>\$ 202,701</u>	<u>\$ 1,631,902</u>
Allocated to operations:			
General operations	\$ 489,009	\$ -	\$ 489,009
Speaker and member services	7,892	-	7,892
Education	87,428	32,128	119,556
Book services	-	52,151	52,151
Total Allocated to Operations	<u>584,329</u>	<u>84,279</u>	<u>668,608</u>
Allocated to Non-operating Activities	<u>844,872</u>	<u>118,422</u>	<u>963,294</u>
	<u>\$ 1,429,201</u>	<u>\$ 202,701</u>	<u>\$ 1,631,902</u>

2022

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest	\$ 251,100	\$ 31,745	\$ 282,845
Unrealized loss	(4,735,157)	(598,638)	(5,333,795)
Realized gain on investment sales	1,692,916	214,025	1,906,941
Custody and advisory fees	(83,103)	(10,506)	(93,609)
Total Investment Return	<u>\$ (2,874,244)</u>	<u>\$ (363,374)</u>	<u>\$ (3,237,618)</u>
Allocated to operations:			
General operations	\$ 436,703	\$ -	\$ 436,703
Speaker and member services	6,656	-	6,656
Education	109,242	26,477	135,719
Book services	-	43,385	43,385
Total Allocated to Operations	<u>552,601</u>	<u>69,862</u>	<u>622,463</u>
Allocated to Non-operating Activities	<u>(3,426,845)</u>	<u>(433,236)</u>	<u>(3,860,081)</u>
	<u>\$ (2,874,244)</u>	<u>\$ (363,374)</u>	<u>\$ (3,237,618)</u>

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Notes to Consolidated Financial Statements
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4. Investments and Investment Return *(continued)*

The following is a summary of the investment return on the investments held by the branches for the fiscal years ended June 30, 2023 and 2022:

2023

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 108,029	\$ 105,883	\$ 213,912
Unrealized gain	278,400	514,013	792,413
Realized gain on investment sales	44,898	(32,794)	12,104
Custody and advisory fees	(17,210)	(21,224)	(38,434)
Total Investment Return	\$ 414,117	\$ 565,878	\$ 979,995
Allocated to operations:			
Education	\$ -	\$ 99,838	\$ 99,838
Total Allocated to Operations	-	99,838	99,838
Allocated to Non-operating Activities	414,117	466,040	880,157
	\$ 414,117	\$ 565,878	\$ 979,995

2022

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 13,206	\$ 98,061	\$ 111,267
Unrealized loss	(545,279)	(1,524,277)	(2,069,556)
Realized gain on investment sales	115,762	477,911	593,673
Custody and advisory fees	(10,942)	(29,216)	(40,158)
Total Investment Return	\$ (427,253)	\$ (977,521)	\$ (1,404,774)
Allocated to operations:			
Education	\$ -	\$ 189,322	\$ 189,322
Total Allocated to Operations	-	189,322	189,322
Allocated to Non-operating Activities	(427,253)	(1,166,843)	(1,594,096)
	\$ (427,253)	\$ (977,521)	\$ (1,404,774)

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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

4. Investments and Investment Return *(continued)*

The following is a reconciliation of the HQ investment activity for fiscal years 2023 and 2022 in the donor restricted and board designated funds:

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated	Purpose Restricted	Perpetual in Nature	
Balance, June 30, 2021	\$ 13,827,226	\$ 1,062,820	\$ 685,286	\$ 15,575,332
Contributions	164,495	9,898	-	174,393
Interest and dividends	251,100	31,745	-	282,845
Unrealized loss	(4,735,157)	(598,638)	-	(5,333,795)
Realized gain	1,692,916	214,025	-	1,906,941
Transfers to operations	(538,000)	-	-	(538,000)
Custody fees	(83,103)	(10,506)	-	(93,609)
Appropriation for expenditure	(1,270,552)	(74,366)	-	(1,344,918)
Balance, June 30, 2022	9,308,925	634,978	685,286	10,629,189
Contributions	-	-	15,840	15,840
Interest and dividends	268,672	37,579	-	306,251
Unrealized gain	1,072,041	152,046	-	1,224,087
Realized gain	138,533	19,648	-	158,181
Transfers to operations	(214,755)	-	-	(214,755)
Custody fees	(55,790)	(7,913)	-	(63,703)
Appropriation for expenditure	(974,951)	(84,108)	-	(1,059,059)
Balance, June 30, 2023	<u>\$ 9,542,675</u>	<u>\$ 752,230</u>	<u>\$ 701,126</u>	<u>\$ 10,996,031</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 752,230	\$ 701,126	\$ 1,453,356
Board designated funds	<u>9,542,675</u>	<u>-</u>	<u>-</u>	<u>9,542,675</u>
Total Funds	<u>\$ 9,542,675</u>	<u>\$ 752,230</u>	<u>\$ 701,126</u>	<u>\$ 10,996,031</u>

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Notes to Consolidated Financial Statements June 30, 2023 and 2022

4. Investments and Investment Return *(continued)*

The following is a reconciliation of the branches investment activity for fiscal years 2023 and 2022 in the donor restricted and board designated funds:

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated	Purpose Restricted	Perpetual in nature	
Balance, June 30, 2021	\$ 213,644	\$ 3,051,231	\$ 2,185,571	\$ 5,450,446
Interest and dividends	4,342	98,061	-	102,403
Unrealized loss	(80,225)	(1,524,277)	-	(1,604,502)
Realized gain	21,161	477,911	-	499,072
Custody fees	(1,294)	(29,216)	-	(30,510)
Transfer to operations	(9,472)	-	-	(9,472)
Appropriation for expenditure	-	(189,322)	-	(189,322)
Balance, June 30, 2022	148,156	1,884,388	2,185,571	4,218,115
Interest and dividends	4,688	105,883	-	110,571
Unrealized gain	22,759	514,013	-	536,772
Realized loss	(1,452)	(32,794)	-	(34,246)
Custody fees	(940)	(21,224)	-	(22,164)
Transfer to operations	(9,466)	-	-	(9,466)
Appropriation for expenditure	-	(99,838)	-	(99,838)
Balance, June 30, 2023	<u>\$ 163,745</u>	<u>\$ 2,350,428</u>	<u>\$ 2,185,571</u>	<u>\$ 4,699,744</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 2,350,428	\$ 2,185,571	\$ 4,535,999
Board designated funds	<u>163,745</u>	<u>-</u>	<u>-</u>	<u>163,745</u>
Total Funds	<u>\$ 163,745</u>	<u>\$ 2,350,428</u>	<u>\$ 2,185,571</u>	<u>\$ 4,699,744</u>

Interpretation of Relevant Law

The Board of Directors of ESU has interpreted New York Prudent Management of Institutional Funds Act (“NYPMIFA”) and Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”) 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, ESU classifies as net assets with donor restrictions perpetual in nature (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 net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions – time and purpose restricted until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA and FUPMIFA.

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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 1,725,457	\$ 2,057,047
Certificates of deposit	317,075	290,399
Investments, at fair value	20,346,434	18,649,820
Accounts receivable	175,007	231,100
Less: donor restricted net assets	(6,053,292)	(5,521,499)
Add: time or purpose restrictions expected to be released	63,413	70,788
Less: Board designated net assets	(9,706,420)	(9,470,812)
Add: Estimated Board designated investment spend rate allocation to operations	666,094	679,133
Less: Investments in beneficial interests in perpetual trusts	(433,501)	(395,901)
Total Available for General Expenditure	\$ 7,100,267	\$ 6,590,075

ESU structures its financial assets, consisting of cash and pledges receivable to be available as its general expenditures and liabilities come due within one year. In addition, ESU generates cash flow from contributions and pledges, made by donors through its fundraising efforts, primarily from its annual gala event. Additionally, ESU receives cash flow from drawdowns or endowment funds based on spending rates and as restrictions are met.

6. Headquarters' Building and Office Equipment

Building and office equipment at June 30, 2023 and 2022 consisted of the following:

	June 30	
	2023	2022
Land	\$ 930,900	\$ 930,900
Building and improvements	4,710,098	4,702,398
	5,640,998	5,633,298
Less accumulated depreciation	2,352,843	2,173,761
	\$ 3,288,155	\$ 3,459,537
Office equipment and fixtures	\$ 127,655	\$ 123,378
Less accumulated depreciation	100,369	72,711
	\$ 27,286	\$ 50,667
Donated artwork	\$ 64,733	\$ -

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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

6. Headquarters' Building and Office Equipment (*continued*)

Depreciation expense for the years ended June 30, 2023 and 2022 in the amount of \$206,740 and \$205,216 has been allocated to various programs \$103,370 and \$102,603 for 2023 and 2022 and supporting services (\$103,370 and \$102,613 for 2023 and 2022) based on management's estimate of the benefit. Office equipment includes an asset held under a capital lease totaling \$98,976 (\$98,976 for 2022) and related accumulated depreciation of \$92,790 at June 30, 2023 (\$68,046 for 2022).

7. Paycheck Protection Program Loan

On May 1, 2020, ESU received loan proceeds in the amount of \$159,900 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. As of June 30, 2021, the PPP loan was forgiven and is reported as grant revenue on the 2021 consolidated statement of activities.

On March 28, 2021, ESU received a second loan under the PPP ("PPP loan 2") for \$187,912. As of June 30, 2022, the PPP loan was forgiven and is reported as grant revenue on the 2022 consolidated statement of activities.

8. Capital Lease

ESU is committed under a capital lease for office equipment. The lease expires in 2024 and provides for the minimum annual payments of \$7,898.

9. Net Assets With Donor Restrictions – Time and Purpose Restricted

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Earning on endowment funds (timing)	\$ 3,102,658	\$ 2,579,330
Andrew Romay New Immigration Center	28,984	63,893
Scholarships	34,429	6,895
	<u>\$ 3,166,071</u>	<u>\$ 2,650,118</u>

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June 30, 2023 and 2022

9. Net Assets With Donor Restrictions – Time and Purpose Restricted (*continued*)

The following amounts were released from net assets with donor restrictions by authorization of the donor and/or the occurrence of the event for which the donor specified such donation was to be used for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Earning on endowment funds (timing)	\$ 183,946	\$ 189,322
Andrew Romay New Immigration Center	332,144	284,344
Scholarships	81,317	4,502
	<u>\$ 597,407</u>	<u>\$ 478,168</u>

10. Net Assets With Donor Restrictions – Perpetual in Nature

Net assets of \$2,887,221 and \$2,871,381 at June 30, 2023 and 2022 represent gifts which have been restricted by the donor in perpetuity, and from which the income is to be used for the ESU's education programs.

11. Pension Plan

Eligible employees of ESU who are employed in HQ 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 \$43,606 and \$32,763 for the years ended June 30, 2023 and 2022.

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