

The English-Speaking Union of the United States

Consolidated Financial Statements

June 30, 2024

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, 2024, 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, 2024 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, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 7, 2025

The English-Speaking Union of the United States

Consolidated Statement of Financial Position June 30, 2024 (with comparative amounts at June 30, 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 1,287,538	\$ 1,725,457
Certificates of deposit	621,069	317,075
Accounts receivable	179,378	175,007
Prepaid expenses and other assets	1,600	5,025
Investments held by National Headquarters, at fair value	14,183,699	12,391,441
Investments held by branches, at fair value	9,349,864	7,954,993
Headquarters building, net of accumulated depreciation	3,115,748	3,288,155
Office equipment and fixtures, net of accumulated depreciation	28,822	27,286
Donated artwork	64,733	64,733
	<u>\$ 28,832,451</u>	<u>\$ 25,949,172</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 377,030	\$ 457,340
Capital lease payable	-	7,898
Total Liabilities	<u>377,030</u>	<u>465,238</u>
 Net Assets		
Without Donor Restrictions		
Investment in headquarters building and office equipment	3,144,570	3,315,178
Board designated	11,012,866	9,706,420
Undesignated	<u>7,053,294</u>	<u>6,409,044</u>
Total Net Assets Without Donor Restrictions	21,210,730	19,430,642
With Donor Restrictions		
Time and purpose restricted	4,320,701	3,166,071
Perpetual in nature	<u>2,923,990</u>	<u>2,887,221</u>
Total Net Assets	<u>28,455,421</u>	<u>25,483,934</u>
	<u>\$ 28,832,451</u>	<u>\$ 25,949,172</u>

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Activities Year Ended June 30, 2024 (with summarized totals for the year ended June 30, 2023)

	Without Donor Restrictions				With Donor Restrictions			
	Undesignated	Board Designated	Investment in Headquarters Building and Office Equipment	Total	Time and Purpose Restricted	Perpetual In Nature	Total 2024	Total 2023
OPERATING REVENUE AND SUPPORT								
Operating Revenue								
Membership dues	\$ 266,058	\$ -	\$ -	\$ 266,058	\$ -	\$ -	\$ 266,058	\$ 276,325
Education	138,207	-	-	138,207	-	-	138,207	240,669
Total Operating Revenue	404,265	-	-	404,265	-	-	404,265	516,994
Contributions	242,890	57,212	-	300,102	405,696	36,769	742,567	757,926
Contributed nonfinancial assets	58,300	-	-	58,300	-	-	58,300	123,033
Allocated investment income to operations	-	584,622	-	584,622	216,635	-	801,257	768,446
Appropriations for expenditure	851,060	(851,060)	-	-	-	-	-	-
Speakers and conferences	451,413	-	-	451,413	-	-	451,413	440,888
Special events income, net of event expenses of \$24,073 in 2024 and \$81,466 in 2023	171,355	-	-	171,355	-	-	171,355	424,550
Other revenue	168,441	-	-	168,441	-	-	168,441	187,844
Transfers from Board designated reserves - HQ	502,869	(502,869)	-	-	-	-	-	-
Transfers from Board designated reserves - branches	9,626	(9,626)	-	-	-	-	-	-
Net assets released from restrictions	641,921	-	-	641,921	(641,921)	-	-	-
Total Operating Revenue and Support	3,502,140	(721,721)	-	2,780,419	(19,590)	36,769	2,797,598	3,219,681
OPERATING EXPENSES								
Program Services								
Membership services	102,381	-	4,688	107,069	-	-	107,069	96,645
Speakers and conferences	104,356	-	4,783	109,139	-	-	109,139	104,700
Branch services	225,734	-	10,336	236,070	-	-	236,070	265,569
Communications	5,398	-	247	5,645	-	-	5,645	14,661
Education	1,638,484	-	75,032	1,713,516	-	-	1,713,516	1,847,309
Branch events and meetings	521,192	-	-	521,192	-	-	521,192	480,705
Total Program Services	2,597,545	-	95,086	2,692,631	-	-	2,692,631	2,809,589
Supporting Services								
Management and general	656,489	-	-	656,489	-	-	656,489	742,392
Fundraising	150,330	-	-	150,330	-	-	150,330	80,352
Depreciation and amortization	-	-	95,086	95,086	-	-	95,086	103,370
Total Supporting Services	806,819	-	95,086	901,905	-	-	901,905	926,114
Total Operating Expenses	3,404,364	-	190,172	3,594,536	-	-	3,594,536	3,735,703
Change in Net Assets from Operations	97,776	(721,721)	(190,172)	(814,117)	(19,590)	36,769	(796,938)	(516,022)
NON-OPERATING ITEMS								
Investment return - National Headquarters	-	1,986,315	-	1,986,315	292,978	-	2,279,293	963,294
Investment return - branches	569,201	41,852	-	611,053	881,242	-	1,492,295	880,157
Other non-operating activity	(3,163)	-	-	(3,163)	-	-	(3,163)	6,630
Transfer of building and equipment purchases	(19,564)	-	19,564	-	-	-	-	-
Change in Net Assets	644,250	1,306,446	(170,608)	1,780,088	1,154,630	36,769	2,971,487	1,334,059
NET ASSETS								
Beginning of year	6,409,044	9,706,420	3,315,178	19,430,642	3,166,071	2,887,221	25,483,934	24,149,875
End of year	\$ 7,053,294	\$ 11,012,866	\$ 3,144,570	\$ 21,210,730	\$ 4,320,701	\$ 2,923,990	\$ 28,455,421	\$ 25,483,934

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, 2024 (with summarized totals for the year ended June 30, 2023)

	Program Services							Management and General	Fundraising	Total Expenses 2024	Total Expenses 2023
	Membership Services	Speakers and Conferences	Branch Services	Communications	Education	Branch Events and Meetings	Total Programs				
Salaries, payroll taxes and benefits	\$ 66,976	\$ 12,384	\$ 130,061	\$ 334	\$ 598,811	\$ -	\$ 808,566	\$ 197,392	\$ 5,867	\$ 1,011,825	\$ 1,056,252
Professional and consulting fees	9,239	30,744	14,354	4,584	275,662	-	334,583	167,578	44,840	547,001	513,872
Scholarships and awards	2,050	1,066	-	-	217,577	-	220,693	869	-	221,562	249,551
Travel and meetings	-	49,509	18	-	100,478	-	150,005	17,109	118,485	285,599	434,897
Occupancy (utilities and maintenance)	5,136	5,258	8,325	268	66,322	-	85,309	11,849	5,211	102,369	112,201
In-kind rent	-	-	-	-	58,300	-	58,300	-	-	58,300	58,300
Branch events and meetings	-	-	-	-	275,973	521,192	797,165	209,623	-	1,006,788	991,658
Administrative and miscellaneous	13,233	5,320	12,473	138	38,430	-	69,594	10,712	-	80,306	119,173
Insurance and finance fees	5,747	75	60,503	74	6,931	-	73,330	41,357	-	114,687	74,525
Total Expenses Before Depreciation	102,381	104,356	225,734	5,398	1,638,484	521,192	2,597,545	656,489	174,403	3,428,437	3,610,429
Add: Depreciation and amortization	4,688	4,783	10,336	247	75,032	-	95,086	95,086	-	190,172	206,740
Less: Costs with direct benefits to donors	-	-	-	-	-	-	-	-	(24,073)	(24,073)	(81,466)
Total Expenses	\$ 107,069	\$ 109,139	\$ 236,070	\$ 5,645	\$ 1,713,516	\$ 521,192	\$ 2,692,631	\$ 751,575	\$ 150,330	\$ 3,594,536	\$ 3,735,703

See notes to consolidated financial statements

The English-Speaking Union of the United States

Consolidated Statement of Cash Flows

Year Ended June 30, 2024

(with comparative amounts for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 2,971,487</u>	<u>\$ 1,334,059</u>
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	(4,151,305)	(2,186,748)
Depreciation and amortization	190,172	206,740
Receipt of donated artwork	-	(64,733)
Changes in Operating Assets and Liabilities		
Accounts receivable	(4,371)	56,093
Prepaid expenses and other assets	3,425	42,519
Deferred revenue	-	(142,616)
Accounts payable and accrued expenses	<u>(80,310)</u>	<u>(10,368)</u>
Total Adjustments	<u>(4,042,389)</u>	<u>(2,099,113)</u>
Net Cash From Operating Activities	<u>(1,070,902)</u>	<u>(765,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit, net	(303,994)	(26,676)
Purchase of equipment and building improvements	(19,301)	(11,977)
Net proceeds from investments	<u>964,176</u>	<u>490,134</u>
Net Cash From Investing Activities	<u>640,881</u>	<u>451,481</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease	<u>(7,898)</u>	<u>(18,017)</u>
Decrease in Cash and Cash Equivalents	(437,919)	(331,590)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,725,457</u>	<u>2,057,047</u>
End of year	<u><u>\$ 1,287,538</u></u>	<u><u>\$ 1,725,457</u></u>

See notes to consolidated financial statements

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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates (ASU’s), clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an “expected loss” model for instruments measured at amortized cost. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on July 1, 2023 expanded the ESU’s required disclosures for its expected credit losses for accounts receivable but did not have a material effect on its consolidated financial statements.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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

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 or liabilities as of June 30, 2024 and 2023. Accounts receivable was \$231,100 as of June 30, 2022.

Accounts Receivable and Allowance for Credit Losses

Prior to July 1, 2023 accounts receivable were recorded at the amount invoiced less an allowance for doubtful accounts. The net amount of trade, unbilled and other receivables and corresponding allowance for doubtful accounts were presented on the consolidated statement of financial position. These receivable balances were assessed at every reporting date for collectability and an allowance was recorded if the receivable was considered uncollectible. At June 30, 2023 management determined that an allowance for doubtful accounts was not necessary. Subsequent to July 1, 2023, receivables are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. ESU maintains allowances for credit losses resulting from the expected failure or inability of its customers to make its required payments. ESU recognizes the allowance for credit losses at inception and reassesses at every reporting date based on the asset's expected collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. ESU's allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics. The allowance for accounts receivable is not material.

ESU records a provision for expected credit losses using an aging schedule approach. Expected credit losses are determined on the basis of how long a receivable has been outstanding. At each reporting period, ESU assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, ESU may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables. ESU's accounts receivable are short term in nature and are written off only when all collection attempts have failed. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery.

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Credit Losses (continued)

In accordance with the ESU's accounting policy election, the total amount of write offs was immaterial to the consolidated financials statements for the year ended June 30, 2024. At June 30, 2024, the allowance for credit losses was not material.

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.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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.

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, 2024 and 2023.

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 or assets in the consolidated statement of activities for the years ended June 30, 2024 and 2023.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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

Gifts-in-Kind (continued)

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

	<u>2024</u>	<u>2023</u>	<u>Utilization in Programs / Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Rent	\$ 58,300	\$ 58,300	Allocated across all functions	None	Estimated based on market values of similar space rentals
Artwork	<u>-</u>	<u>64,733</u>	Held for display	None	Estimated based on original purchase price
	<u>\$ 58,300</u>	<u>\$ 123,033</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.

Prior-year Summarized Financial Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with ESU's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

The English-Speaking Union of the United States

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2021.

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 October 7, 2025.

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, certificates of deposit 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 receivables.

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.

The following are the types of investments held by HQ at June 30, 2024 and 2023 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

2024

Description	Level 1	Level 2	Total
Investments at Fair Value by Level of Input			
Fixed income	\$ -	\$ 826,125	\$ 826,125
Equity securities	13,313,835	-	13,313,835
Total Investments at Fair Value	<u>\$ 13,313,835</u>	<u>\$ 826,125</u>	14,139,960
Temporary cash investment at cost			43,739
Total Investments			<u>\$ 14,183,699</u>

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

4. Investments and Investment Return *(continued)*

2023

Description	Level 1	Level 2	Total
Investments at Fair Value by Level of Input			
Fixed income	\$ -	\$ 1,908,146	\$ 1,908,146
Equity securities	10,407,053	-	10,407,053
	<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>

The following are the types of investments held by the branches at June 30, 2024 and 2023 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis (except temporary cash investments):

2024

Description	Level 1	Level 2	Level 3	Total
Investments at Fair Value by Level of Input				
Fixed income	\$ -	\$ 275,198	\$ -	\$ 275,198
Equity securities	6,654,053	-	-	6,654,053
Mutual funds	1,785,151	-	-	1,785,151
	<u>8,439,204</u>	<u>275,198</u>	-	8,714,402
Other				
Beneficial Interest in Trusts (i)	-	-	466,103	466,103
Total Investments at Fair Value	<u>\$ 8,439,204</u>	<u>\$ 275,198</u>	<u>\$ 466,103</u>	9,180,505
Temporary cash investment at cost				169,359
Total Investments				<u>\$ 9,349,864</u>

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>	-	7,354,704
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>	7,788,205
Temporary cash investment at cost				166,788
Total Investments				<u>\$ 7,954,993</u>

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

4. Investments and Investment Return (*continued*)

- (i) ESU maintains four beneficial interests in certain trusts administered by third parties. These trusts are valued at \$466,103 and \$433,501 at June 30, 2024 and 2023. 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.

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 2024 and 2023:

	Beneficial Interests in Trusts
	<u> </u>
Balance, June 30, 2022	\$ 395,901
Interest and dividends	14,429
Contributions	2,590
Distributions	(5,721)
Fees and expenses	(2,856)
Unrealized gain	<u>29,158</u>
Balance, June 30, 2023	433,501
Interest and dividends	9,289
Contributions	1,250
Distributions	(9,210)
Fees and expenses	(2,682)
Unrealized gain	<u>33,955</u>
Balance, June 30, 2024	<u><u>\$ 466,103</u></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, 2024 and 2023.

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and 2023:

2024

	Board Designated	With Donor Restrictions	Total
Dividends and interest	\$ 240,866	\$ 36,687	\$ 277,553
Unrealized gain	1,677,584	255,521	1,933,105
Realized gain on investment sales	699,906	106,613	806,519
Custody and advisory fees	(47,419)	(7,223)	(54,642)
Total Investment Return	<u>\$ 2,570,937</u>	<u>\$ 391,598</u>	<u>\$ 2,962,535</u>
Allocated to operations:			
General operations	\$ 506,280	\$ -	\$ 506,280
Speaker and member services	4,601	-	4,601
Education	73,741	43,093	116,834
Book services	-	55,527	55,527
Total Allocated to Operations	584,622	98,620	683,242
Allocated to Non-operating Activities	<u>1,986,315</u>	<u>292,978</u>	<u>2,279,293</u>
	<u>\$ 2,570,937</u>	<u>\$ 391,598</u>	<u>\$ 2,962,535</u>

2023

	Board Designated	With Donor Restrictions	Total
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	584,329	84,279	668,608
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>

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and 2023:

2024

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 133,940	\$ 101,817	\$ 235,757
Unrealized gain	450,723	699,774	1,150,497
Realized gain on investment sales	38,663	222,597	261,260
Custody and advisory fees	(12,273)	(24,931)	(37,204)
Total Investment Return	<u>\$ 611,053</u>	<u>\$ 999,257</u>	<u>\$ 1,610,310</u>
Allocated to operations:			
Education	\$ -	\$ 118,015	\$ 118,015
Total Allocated to Operations	-	118,015	118,015
Allocated to Non-operating Activities	611,053	881,242	1,492,295
	<u>\$ 611,053</u>	<u>\$ 999,257</u>	<u>\$ 1,610,310</u>

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 (loss) on investment sales	44,898	(32,794)	12,104
Custody and advisory fees	(17,210)	(21,224)	(38,434)
Total Investment Return	<u>\$ 414,117</u>	<u>\$ 565,878</u>	<u>\$ 979,995</u>
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
	<u>\$ 414,117</u>	<u>\$ 565,878</u>	<u>\$ 979,995</u>

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

4. Investments and Investment Return *(continued)*

The following is a reconciliation of the HQ investment activity for fiscal years 2024 and 2023 in the donor restricted and board designated funds:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Purpose Restricted	Perpetual in Nature	Total
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	9,542,675	752,230	701,126	10,996,031
Contributions	57,212	-	36,769	93,981
Interest and dividends	240,866	36,687	-	277,553
Unrealized gain	1,677,584	255,521	-	1,933,105
Realized gain	699,906	106,613	-	806,519
Transfers to operations	(502,869)	-	-	(502,869)
Custody fees	(47,419)	(7,223)	-	(54,642)
Appropriation for expenditure	(851,060)	(98,620)	-	(949,680)
Balance, June 30, 2024	<u>\$ 10,816,895</u>	<u>\$ 1,045,208</u>	<u>\$ 737,895</u>	<u>\$ 12,599,998</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 1,045,208	\$ 737,895	\$ 1,783,103
Board designated funds	<u>10,816,895</u>	<u>-</u>	<u>-</u>	<u>10,816,895</u>
Total Funds	<u>\$ 10,816,895</u>	<u>\$ 1,045,208</u>	<u>\$ 737,895</u>	<u>\$ 12,599,998</u>

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

4. Investments and Investment Return *(continued)*

The following is a reconciliation of the branches investment activity for fiscal years 2024 and 2023 in the donor restricted and board designated funds:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated	Purpose Restricted	Perpetual in nature	Total
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	163,745	2,350,428	2,185,571	4,699,744
Interest and dividends	4,264	101,817	-	106,081
Unrealized gain	29,309	699,774	-	729,083
Realized gain	9,323	222,597	-	231,920
Custody fees	(1,044)	(24,931)	-	(25,975)
Transfer to operations	(9,626)	-	-	(9,626)
Appropriation for expenditure	-	(118,015)	-	(118,015)
Balance, June 30, 2024	<u>\$ 195,971</u>	<u>\$ 3,231,670</u>	<u>\$ 2,185,571</u>	<u>\$ 5,613,212</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 3,231,670	\$ 2,185,571	\$ 5,417,241
Board designated funds	195,971	-	-	195,971
Total Funds	<u>\$ 195,971</u>	<u>\$ 3,231,670</u>	<u>\$ 2,185,571</u>	<u>\$ 5,613,212</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, 2024 and 2023

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, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 1,287,538	\$ 1,725,457
Certificates of deposit	621,069	317,075
Investments, at fair value	23,533,563	20,346,434
Accounts receivable	179,378	175,007
Less: donor restricted net assets	(7,244,691)	(6,053,292)
Add: time restrictions expected to be released	43,823	63,413
Less: Board designated net assets	(11,012,866)	(9,706,420)
Add: Estimated Board designated investment spend rate allocation to operations	636,961	666,094
Less: Investments in beneficial interests in perpetual trusts	(466,103)	(433,501)
Total Available for General Expenditure	<u>\$ 7,578,672</u>	<u>\$ 7,100,267</u>

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, 2024 and 2023 consisted of the following:

	June 30	
	2024	2023
Land	\$ 930,900	\$ 930,900
Building and improvements	4,717,798	4,710,098
	5,648,698	5,640,998
Less accumulated depreciation	2,532,950	2,352,843
	<u>\$ 3,115,748</u>	<u>\$ 3,288,155</u>
Office equipment and fixtures	\$ 139,254	\$ 127,655
Less accumulated depreciation	110,432	100,369
	<u>\$ 28,822</u>	<u>\$ 27,286</u>
Donated artwork	<u>\$ 64,733</u>	<u>\$ 64,733</u>

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

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

Depreciation expense for the years ended June 30, 2024 and 2023 in the amount of \$190,172 and \$206,740 has been allocated to various programs (\$95,086 and \$103,370 for 2024 and 2023) and supporting services (\$95,086 and \$103,370 for 2024 and 2023) based on management's estimate of the benefit. Office equipment includes an asset held under a lease totaling \$98,976 (\$98,976 for 2023) and fully accumulated depreciation of \$98,976 at June 30, 2024 (\$92,790 for 2023).

7. Finance Lease

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

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

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

	2024	2023
Earning on endowment funds (timing)	\$ 4,276,878	\$ 3,102,658
Andrew Romay New Immigration Center	10,969	28,984
Scholarships	32,854	34,429
	<u>\$ 4,320,701</u>	<u>\$ 3,166,071</u>

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:

	2024	2023
Earning on endowment funds (timing)	\$ 216,635	\$ 183,946
Andrew Romay New Immigration Center	378,165	332,144
Scholarships	47,121	81,317
	<u>\$ 641,921</u>	<u>\$ 597,407</u>

9. Net Assets With Donor Restrictions – Perpetual in Nature

Net assets of \$2,923,990 and \$2,887,221 at June 30, 2024 and 2023 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.

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Notes to Consolidated Financial Statements June 30, 2024 and 2023

10. 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 \$41,004 and \$43,606 for the years ended June 30, 2024 and 2023.

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