

Worldwide ERC[®], Inc.

Consolidated Financial Report
March 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
Worldwide ERC®, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Worldwide ERC®, Inc. (Worldwide ERC®), which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, 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.

Auditor's 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 audits 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 auditor's 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 Worldwide ERC®'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 Worldwide ERC®'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Worldwide ERC®, Inc. as of March 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
November 2, 2021

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Worldwide ERC[®], Inc.

Consolidated Statements of Financial Position
March 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 2,066,956	\$ 507,758
Investments	7,099,092	9,846,560
Accounts receivable, net	88,017	202,022
Income tax refund receivable	481,753	521,564
Prepaid expenses and other assets	84,384	252,838
Property and equipment, net	990,517	1,273,290
	<hr/>	<hr/>
Total assets	\$ 10,810,719	\$ 12,604,032
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 697,098	\$ 1,238,469
Deferred rent	721,512	770,911
Deferred revenue	2,344,656	2,652,597
Notes payable	642,477	-
Total liabilities	4,405,743	4,661,977
	<hr/>	<hr/>
Commitments and contingencies (Note 11)		
Net assets:		
Without donor restrictions	6,404,976	7,942,055
	<hr/>	<hr/>
Total liabilities and net assets	\$ 10,810,719	\$ 12,604,032
	<hr/> <hr/>	<hr/> <hr/>

See notes to consolidated financial statements.

Worldwide ERC[®], Inc.

**Consolidated Statements of Activities
Years Ended March 31, 2021 and 2020**

	2021	2020
Revenue:		
Membership	\$ 3,174,809	\$ 2,929,040
Professional development	811,338	930,300
Events	683,816	4,875,699
MOBILITY	562,345	958,703
Investment income, net	162,789	244,250
Other income	28,182	34,126
Licensing fees	-	17,255
Total revenue	5,423,279	9,989,373
Expenses:		
Salaries and fringe benefits	3,190,823	4,740,430
Professional services	2,184,240	3,520,530
Office expenses	860,300	1,601,795
Depreciation and amortization	288,174	318,193
Hosting fees and other expenses	285,968	551,124
Events	91,713	2,718,480
Total expenses	6,901,218	13,450,552
Change in net assets before other items	(1,477,939)	(3,461,179)
Provision for income and proxy tax (expense) benefit	(67,449)	366,630
Realized and unrealized gain on investments	8,309	58,230
Loss on disposal of property and equipment	-	(1,571)
Change in net assets	(1,537,079)	(3,037,890)
Net assets:		
Beginning	7,942,055	10,979,945
Ending	\$ 6,404,976	\$ 7,942,055

See notes to consolidated financial statements.

Worldwide ERC[®], Inc.

Consolidated Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (1,537,079)	\$ (3,037,890)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Realized and unrealized gain on investments	(8,309)	(58,230)
Depreciation and amortization	288,174	318,193
Loss on disposal of property and equipment	-	1,571
Deferred rent	(49,399)	(39,528)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	114,005	153,306
Income tax refund receivable	39,811	(521,564)
Prepaid expenses and other assets	168,454	231,810
Increase (decrease) in:		
Accounts payable and accrued expenses	(541,371)	180,826
Deferred revenue	(307,941)	(651,609)
Net cash used in operating activities	(1,833,655)	(3,423,115)
Cash flows from investing activities:		
Proceeds from the sale of investments	4,997,392	6,321,303
Purchases of investments	(2,241,615)	(5,592,024)
Purchases of property and equipment	(5,401)	(309,072)
Net cash provided by investing activities	2,750,376	420,207
Cash flows from financing activities:		
Proceeds from notes payable	642,477	-
Net cash provided by financing activities	642,477	-
Net increase (decrease) in cash and cash equivalents	1,559,198	(3,002,908)
Cash and cash equivalents:		
Beginning	507,758	3,510,666
Ending	\$ 2,066,956	\$ 507,758
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	\$ 35,400	\$ 106,000

See notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Worldwide ERC[®], Inc. (Worldwide ERC[®]) is a non-stock nonprofit membership organization that creates innovative solutions for those managing and supporting global relocation and other workforce transitions. In the ever-changing mobility industry, amidst the shifting sands of what it means to work globally as a business and continue to connect talent across borders, Worldwide ERC[®] is at the center, and it has been since 1964, shaping the future of a dynamic, innovative and growing mobility community.

Worldwide ERC[®] established Zhiqian Business Consulting (Shanghai) Co., Ltd (Zhiqian) as a limited liability company in accordance with Chinese law in January 2014. Zhiqian is also referred to as a Wholly Foreign-Owned Enterprise (WFOE) since it conducts operations in Shanghai, China on behalf of Worldwide ERC[®]. The WFOE's operations include business information consulting, enterprise management consulting and conference information consulting. The WFOE's assets totaled \$69,991 and \$114,767 as of March 31, 2021 and 2020, respectively. The WFOE's liabilities totaled \$49,887 and \$53,631 as of March 31, 2021 and 2020, respectively. On August 21, 2020, Worldwide ERC[®]'s Board of Directors approved a resolution to dissolve the WFOE.

Because Worldwide ERC[®] is a nonprofit organization, a for-profit holding company that acts as a sponsor for the WFOE was required to be established. Accordingly, Gx, Inc. (Gx) was incorporated in September 2013 in the Commonwealth of Virginia. Gx is authorized to issue 1,000 shares of stock and is a wholly-owned subsidiary of Worldwide ERC[®]. The WFOE is a wholly-owned subsidiary of Gx, which has provided \$80,000 (in U.S. Dollars) of capital to the WFOE. Gx's assets totaled \$42,771 and \$83,803 as of March 31, 2021 and 2020, respectively. Gx's liabilities totaled \$5,545 and \$5,545 as of March 31, 2021 and 2020, respectively, representing an amount due to the WFOE. On August 21, 2020, Worldwide ERC[®]'s Board of Directors approved a resolution to dissolve Gx.

A summary of Worldwide ERC[®]'s significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of Worldwide ERC[®], the WFOE and Gx. Significant inter-entity accounts and transactions have been eliminated in consolidation. For purposes of this report, the entities are collectively referred to as Worldwide ERC[®].

Basis of presentation: Worldwide ERC[®] follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, Worldwide ERC[®] is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions, and 2) net assets with donor restrictions.

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation. Furthermore, Worldwide ERC[®] has no board-designated net assets without donor restrictions.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation, or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. However, Worldwide ERC[®] has no net assets with donor restrictions.

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Income taxes: Worldwide ERC[®] is exempt from the payment of income taxes on its exempt activities under section 501(c)(6) of the Internal Revenue Code. However, Worldwide ERC[®] is subject to income tax on its unrelated business activities. The provision for income tax (expense) benefit reported in the consolidated statements of activities includes Worldwide ERC[®]'s current federal and state income taxes and federal proxy tax expense. Unrelated business income taxes totaled \$29,446 and proxy tax totaled \$25,986 for the year ended March 31, 2021. Income and proxy taxes payable totaling \$20,032 at March 31, 2021 has been included in accounts payable in the accompanying consolidated statements of financial position.

Worldwide ERC[®] has a tax refund receivable totaling \$481,753 and \$521,564 at March 31, 2021 and 2020, respectively. The tax refund receivable related to amended returns for March 31, 2017, 2018, and 2019 in addition to the refund due from the returns related to the year ended March 31, 2020, which were not amended. Prior year returns were amended due to the fact that revenue related to listings on the website had been included in prior year tax returns as taxable income in error. The tax refund receivable reflects the revised estimate of amounts expected to be refunded based on the most recent versions of the amended returns and does not include the refund received during the year ended March 31, 2021. The amended return for March 31, 2017 has been filed and a refund related to the Federal amount due was received in May 2021. The amended returns for March 31, 2018 and 2019 have been drafted but have not yet been filed. The return for March 31, 2020 was filed and a refund from the Commonwealth of Virginia was received during the year ended March 31, 2021.

Gx files corporate income tax returns with the U.S. government and the Commonwealth of Virginia and has net operating loss carry forwards which were generated between March 31, 2015 and March 31, 2017, which total \$333. The net operating loss carry forwards may be applied against current and future years' taxable income. However, Gx has no income tax expense for the years ended March 31, 2021 and 2020, and has not recorded a deferred tax asset related to the net operating loss carryforwards due to the uncertainty that a benefit would be realized.

Zhiqian files income tax returns with the government of the People's Republic of China. However, income tax expense related to operations in Asia was \$0 for the years ended March 31, 2021 and 2020.

Cash and cash equivalents: For consolidated financial statement purposes, Worldwide ERC[®] includes demand deposits and money market funds, which are not held for investment purposes, in cash and cash equivalents.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to realized and unrealized gain on investments.

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial risk: Worldwide ERC[®] maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to Worldwide ERC[®]. However, Worldwide ERC[®] has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Worldwide ERC[®] invests funds in a professionally managed portfolio that contains various types of marketable debt and equity securities. Investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

Accounts receivable: Accounts receivable consist primarily of amounts due related to MOBILITY advertising revenue and event registrations. Worldwide ERC[®]'s management periodically reviews the status of all accounts receivable balances for collectability, and each receivable balance is assessed based on management's knowledge of the customer, relationship with the customer and the age of the receivable balance. As a result of these reviews, accounts receivable balances for which collection is deemed doubtful are charged to bad debt expense, and an allowance is established. Bad debt expense was \$155,000 and \$0 for the years ended March 31, 2021 and 2020, respectively.

Property and equipment: Acquisitions of furniture and equipment greater than \$500 are recorded at cost and depreciated or amortized using the straight-line method over useful lives ranging from two to seven years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the lesser of the estimated useful life of the improvement or the remaining lease term.

Valuation of long-lived assets: Long-lived property, such as leasehold improvements, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets.

Deferred rent: Worldwide ERC[®] recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the consolidated statements of financial position along with the unamortized landlord provided tenant improvement allowance.

Revenue: Revenue includes membership, professional development, events and MOBILITY because these are revenue streams that have performance obligations and are considered contracts with customers.

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time, and most contracts have initial terms of one year or less. Worldwide ERC[®] performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if Worldwide ERC[®] is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the certain criteria are not met, then revenue is recognized at a point in time.

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Prices are specific to a distinct performance obligation and contracts do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events, impact the timing and level of revenue recognized in the consolidated financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of Worldwide ERC[®], or can have a positive impact on cash flows in favorable economic conditions.

Worldwide ERC[®] offers bundle packages to corporate customers that participate in several events and place multiple advertisements over the course of a calendar year. Customers customize their bundle packages by only selecting the individual products and services that they plan to use and receive these products and services at discounted prices through the bundle packages. The individual products and services are considered distinct and Worldwide ERC[®] recognizes revenue at the discounted bundled prices as each benefit is provided. Revenue earned through bundle packages is recorded within the appropriate revenue categories within the consolidated financial statements. Customers generally pay for bundle packages in quarterly installments. Installments received in advance are recorded as deferred revenue or within accounts payable and accrued expenses due to customers' ability to receive refunds for prepayments.

Membership: Membership dues provide economic, as well as other, benefits to members and are therefore accounted for as exchange transactions rather than as contributions. Revenue from membership dues is consumed equally over the membership period and is therefore recognized on a straight-line basis over the related annual membership period. Dues received prior to the membership period are presented as deferred revenue in the accompanying consolidated statements of financial position.

Professional development: Professional development revenue includes: Global Mobility Specialist and Certified Relocation Professional. Global Mobility Specialist revenue is recognized ratably over the 180-day period to which customers have access to the course materials. Certified Relocation Professional fees are recognized at a point in time when the related examination is held.

Events: Events revenue, which includes registration fees, exhibit fees and sponsorships received in advance of the date of the event, is recognized during the period in which the event occurs.

MOBILITY: MOBILITY revenue relates to advertising within either the printed Mobility publication or the digital version which is available on the Worldwide ERC[®] website. MOBILITY revenue is recognized in the month during which the advertisement is placed. Online MOBILITY advertisements are generally required to remain on the Worldwide ERC[®] website for a one-month period.

Functional allocation of expenses: Worldwide ERC[®] has reported natural expenses in the consolidated statements of activities. The costs of providing various program and supporting services have been summarized on a functional basis in the notes to the consolidated financial statements. Management charges expenses directly incurred for a specific function to the appropriate program or supporting service category. Indirect costs are allocated among program and supporting services on a reasonable basis that is consistently applied. In particular, salaries and fringe benefits are allocated based on employee effort. Other indirect costs, such as rent, depreciation and amortization, and hosting fees are also allocated based on employee effort.

The provision for income tax (expense) benefit has been reported in the consolidated statements of activities as item outside of expenses because it was a benefit rather than an expense in 2020 due to the expected tax refunds. Therefore, the provision for income tax (expense) benefit has not been included in the functional expenses, which are detailed in Note 10.

Notes to the Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Reclassifications: Reclassifications of revenue and expense have been made to the 2020 consolidated statement of activities to conform to the 2021 presentation. The reclassifications had no effect on previously reported net assets or change in net assets.

Upcoming accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. In November 2019, the FASB delayed the adoption of ASU 2016-02 to fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Worldwide ERC[®] anticipates adopting the new standard during the year ending March 31, 2023, and is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The new standard is effective for fiscal years beginning after June 15, 2021, including interim periods within those fiscal years. Worldwide ERC[®] anticipates adopting the new standard during the year ending March 31, 2023, and is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

Subsequent events: Subsequent events have been evaluated through November 2, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

Worldwide ERC[®] follows the accounting standards topic regarding fair value measurements, which establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds (2020 only), the fair values of which were based on quoted prices for identical assets in active markets.

Worldwide ERC[®], Inc.**Notes to the Consolidated Financial Statements****Note 2. Investments (Continued)**

Investments valued using Level 2 inputs include corporate bonds and U.S. Government obligations, the fair values of which were based on pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each security.

Management believes the estimated fair values of investments to be a reasonable approximation of their exit price.

The following is a summary of input levels used to determine fair values, measured on a recurring basis as of March 31, 2021:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Corporate bonds	\$ -	\$ 1,656,289	\$ -	\$ 1,656,289
U.S. Government obligations	-	1,783,525	-	1,783,525
	<u>\$ -</u>	<u>\$ 3,439,814</u>	<u>\$ -</u>	<u>3,439,814</u>
Investments at cost:				
Cash				1,251,278
Certificates of deposit				2,408,000
				<u>\$ 7,099,092</u>

The following is a summary of input levels used to determine fair values, measured on a recurring basis as of March 31, 2020:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Corporate bonds	\$ -	\$ 1,757,923	\$ -	\$ 1,757,923
U.S. Government obligations	-	2,200,947	-	2,200,947
Mutual funds – equities	62,311	-	-	62,311
	<u>\$ 62,311</u>	<u>\$ 3,958,870</u>	<u>\$ -</u>	<u>4,021,181</u>
Investments at cost:				
Cash				649,379
Certificates of deposit				5,176,000
				<u>\$ 9,846,560</u>

Net investment return consisted of the following for the years ended March 31, 2021 and 2020:

	2021	2020
Interest income	\$ 182,047	\$ 264,907
Investment management fees	(19,258)	(20,657)
Investment income, net	162,789	244,250
Realized and unrealized gain on investments	8,309	58,230
	<u>\$ 171,098</u>	<u>\$ 302,480</u>

Worldwide ERC[®], Inc.**Notes to the Consolidated Financial Statements**

Note 3. Accounts Receivable

Accounts receivable, net consisted of the following at March 31, 2021 and 2020:

	2021	2020
Membership and other income	\$ 49,450	\$ 5,474
MOBILITY	113,118	55,428
Due from the Foundation (Note 8)	20,172	1,500
Events	60,277	139,620
	<u>243,017</u>	<u>202,022</u>
Less: allowance for doubtful accounts	(155,000)	-
	<u>\$ 88,017</u>	<u>\$ 202,022</u>

Note 4. Liquidity and Availability of Resources

Worldwide ERC[®] structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In particular, Worldwide ERC[®] follows its investment policy which provides guidance regarding the investment of cash balances in excess of immediate liquidity needs.

The following provides a summary of financial assets available for general expenditures within one year at March 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 2,066,956	\$ 507,758
Investments	7,099,092	9,846,560
Accounts receivable, net	88,017	202,022
Income tax refund receivable	481,753	521,564
	<u>9,735,818</u>	<u>11,077,904</u>
Less assets held for deferred compensation (Note 9)	-	(62,311)
	<u>\$ 9,735,818</u>	<u>\$ 11,015,593</u>

Note 5. Property and Equipment

Property and equipment consisted of the following at March 31, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 2,094,471	\$ 2,089,070
Leasehold improvements	728,342	728,342
	<u>2,822,813</u>	<u>2,817,412</u>
Less accumulated depreciation and amortization	(1,832,296)	(1,544,122)
	<u>\$ 990,517</u>	<u>\$ 1,273,290</u>

Worldwide ERC[®], Inc.

Notes to the Consolidated Financial Statements

Note 6. Deferred Revenue

Deferred revenue consisted of the following at March 31, 2021 and 2020:

	2021	2020
Membership	\$ 2,113,597	\$ 2,279,758
Professional development	194,397	142,118
Events and other income	36,662	230,721
	<u>\$ 2,344,656</u>	<u>\$ 2,652,597</u>

Note 7. Notes payable

Economic Injury Disaster Loan: During October 2020, Worldwide ERC[®] obtained a COVID-19 Economic Injury Disaster Loan (EIDL). Proceeds from the loan totaled \$150,000 and Worldwide ERC[®] signed a 30-year note payable with the U.S. Small Business Administration (SBA). SBA provided the loan so that Worldwide ERC[®] would have working capital to alleviate economic injury caused by COVID-19 during the month of January 2020. Monthly payments of principal and interest totaling \$641 are required to begin in October 2021 and the balance of the loan is due upon maturity. Interest is calculated annually on the outstanding loan balance using a fixed rate of 2.75%. The note payable is not forgivable but there are no penalties for pre-payment. SBA uses a general security agreement designating business assets, such as property and equipment, as collateral.

Paycheck Protection Program Loan: In March 2021, Worldwide ERC[®] obtained proceeds totaling \$492,477, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The forgivable note payable matures in March 2026 and bears interest at a rate of 1% per annum. Proceeds may only be used for costs related to payroll, group healthcare benefits, rent, and utilities incurred before February 15, 2020.

The note payable and related accrued interest are forgivable after twenty-four weeks if Worldwide ERC[®] uses the proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over two years, with a deferral of payments for the first ten months. The note payable may be prepaid at any time prior to maturity with no prepayment penalties. Worldwide ERC[®] intends to use the entire proceeds for qualifying expenses as described in the CARES Act. Worldwide ERC[®] has elected to record the note payable related to the PPP loan in accordance with ASC Topic 470: Debt.

Future maturities of principal were as follows at March 31, 2021:

	EIDL	PPP	Total
Years ending March 31:			
2022	\$ 1,703	\$ 16,090	\$ 17,793
2023	3,477	97,506	100,983
2024	3,574	98,486	102,060
2025	3,674	99,475	103,149
2026	3,776	180,920	184,696
Thereafter	133,796	-	133,796
	<u>\$ 150,000</u>	<u>\$ 492,477</u>	<u>\$ 642,477</u>

Worldwide ERC[®], Inc.

Notes to the Consolidated Financial Statements

Note 8. Related Party Transactions

Worldwide ERC[®] Foundation for Workforce Mobility (the Foundation) is exempt from the payment of income taxes on its exempt activities under section 501(c)(3) of the Internal Revenue Code (IRC). One member of Worldwide ERC[®]'s management team and the Chairman of the Board of Directors of Worldwide ERC[®] both have non-voting rights on the Foundation's Board of Trustees. However, because Worldwide ERC[®] does not have the ability to appoint a majority voting interest of the Foundation's Board of Trustees, Worldwide ERC[®] does not control the Foundation. Therefore, the Foundation is not required, under current accounting standards, to be included in Worldwide ERC[®]'s consolidated financial statements.

Worldwide ERC[®] has recorded a receivable from the Foundation totaling \$20,172 and \$1,500 as of March 31, 2021 and 2020, respectively, primarily representing administrative fees. Worldwide ERC[®] has recorded a payable to the Foundation totaling \$3,700 and \$0 as of March 31, 2021 and 2020, respectively, representing cash collected on behalf of the Foundation.

Worldwide ERC[®] provides basic administrative services to the Foundation in exchange for an administrative fee of \$1,500 per month. Therefore, administrative fees from the Foundation totaled \$18,000 for the years ended March 31, 2021 and 2020. Administrative fees have been included in other income in the accompanying consolidated statements of activities.

Note 9. Retirement Plans

Defined contribution plan: Worldwide ERC[®] sponsors a qualified 401(k) plan available to all employees meeting certain eligibility requirements as defined by the plan document. Unless limited by IRS regulations, Worldwide ERC[®] provides safe harbor matching contributions equal to 100% of participant contributions up to 4% of participant compensation. Worldwide ERC[®]'s contributions, excluding amounts forfeited by non-vested participants, totaled \$85,381 and \$91,739 for the years ended March 31, 2021 and 2020, respectively.

Deferred compensation plans: Worldwide ERC[®] had a nonqualified deferred compensation plan for a previous executive which was established under IRC Section 457(b). The assets in the plan were liquidated in full during the year ended March 31, 2021. Worldwide ERC[®]'s obligation under the deferred compensation plan was funded by investments in mutual funds (see Note 2), which totaled \$0 and \$62,311 at March 31, 2021 and 2020, respectively. Furthermore, the deferred compensation liability has been included in accounts payable and accrued expenses and totaled \$0 and \$62,311 at March 31, 2021 and 2020, respectively.

Note 10. Functional Expenses

Functional expenses consisted of the following for the year ended March 31, 2021:

	Program Services				Supporting	Total
	Professional Development	Events	Membership	Other Programs	General and Administration	
Salaries and fringe benefits	\$ 527,738	\$ 541,449	\$ 521,596	\$ 236,469	\$ 1,363,571	\$ 3,190,823
Professional services	453,607	114,570	162,156	395,821	1,058,086	2,184,240
Occupancy and other office expenses	80,412	76,589	99,059	122,271	481,969	860,300
Depreciation and amortization	47,868	49,111	47,311	21,449	122,435	288,174
Hosting fees and other expenses	19,685	29,270	21,030	8,809	207,174	285,968
Events	4,186	71,194	10,989	3,343	2,001	91,713
	<u>\$ 1,133,496</u>	<u>\$ 882,183</u>	<u>\$ 862,141</u>	<u>\$ 788,162</u>	<u>\$ 3,235,236</u>	<u>\$ 6,901,218</u>

Worldwide ERC[®], Inc.

Notes to the Consolidated Financial Statements

Note 10. Functional Expenses (Continued)

Functional expenses consisted of the following for the year ended March 31, 2020:

	Program Services				Supporting	Total
	Professional Development	Events	Membership	Other Programs	General and Administration	
Salaries and fringe benefits	\$ 692,380	\$ 1,045,390	\$ 488,318	\$ 428,743	\$ 2,085,599	\$ 4,740,430
Professional services	457,318	153,726	402,132	470,584	2,036,770	3,520,530
Occupancy and other office expenses	118,016	219,766	194,628	243,063	826,322	1,601,795
Depreciation and amortization	46,475	70,170	32,777	28,779	139,992	318,193
Hosting fees and other expenses	82,835	123,619	88,491	37,063	219,116	551,124
Events	185,096	2,456,220	16,370	10,120	50,674	2,718,480
	<u>\$ 1,582,120</u>	<u>\$ 4,068,891</u>	<u>\$ 1,222,716</u>	<u>\$ 1,218,352</u>	<u>\$ 5,358,473</u>	<u>\$ 13,450,552</u>

Note 11. Commitments and Contingencies

Operating lease: Worldwide ERC[®] has an operating lease for office space which expires on October 31, 2028. The office lease includes an abatement of rent and an escalation clause that adjusts annual base rentals. The lease also has a pass-through clause relating to real estate taxes and operating expenses, which are not included in base rentals.

The office lease included a tenant improvement allowance to build-out the office space totaling \$488,760 and the cost of the build-out was capitalized within property and equipment as leasehold improvements, which is being amortized over the term of the lease. The rent abatement and scheduled rent increases, along with the tenant improvement allowance, have been recorded as a liability and will be amortized ratably to achieve straight-line rent expense over the term of the lease. The liability for deferred rent totaled \$721,512 and \$770,911 at March 31, 2021 and 2020, respectively.

Rent expense related to the office lease totaled \$355,750 and \$358,589 for the years ended March 31, 2021 and 2020, respectively.

Future minimum rental payments related to the office lease are as follows:

Years ending March 31,	
2022	\$ 415,300
2023	425,600
2024	436,300
2025	447,200
2026	458,400
Thereafter	1,236,400
	<u>\$ 3,419,200</u>

Employment agreement: Worldwide ERC[®] has an employment agreement with the President and Chief Executive Officer, the terms of which include severance in the event of termination without cause.

Hotel agreements: Worldwide ERC[®] has entered into several agreements with hotels providing room accommodations and service for its future meetings and conferences through the year ending March 31, 2026. Most of these hotel agreements contain a clause whereby Worldwide ERC[®] is liable for liquidated damages in the event of cancellation or lower than expected attendance, as calculated in accordance with the terms of the agreements.

Notes to the Consolidated Financial Statements

Note 11. Commitments and Contingencies (Continued)

COVID-19 Pandemic: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Worldwide ERC[®] operates. It is unknown how long these conditions will last and what the complete financial affect will be to Worldwide ERC[®], to date, and it is reasonably possible that Worldwide ERC[®] is vulnerable to the risk of a near-term impact.

Note 12. Subsequent Events

During June 2021, the cash balances remaining in the accounts held by Zhiqian were transferred to Gx and Zhiqian was officially cleared of all tax liabilities in the Peoples Republic of China (PRC). Furthermore, during June 2021, Zhiqian was officially de-registered and no longer operates as a business entity in PRC. Therefore, Gx may now be legally dissolved in the Commonwealth of Virginia.