

WORLDWIDE ERC®, INC.

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

YEARS ENDED MARCH 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Worldwide ERC®, Inc.
Arlington, Virginia

Opinion

We have audited the accompanying consolidated financial statements of **Worldwide ERC®, Inc.** (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of March 31, 2022, 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 financial position of **Worldwide ERC®, Inc.** as of March 31, 2022, and the changes in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Worldwide ERC®, Inc.** 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.

Prior Period Financial Statements

The consolidated financial statements of **Worldwide ERC®, Inc.** as of March 31, 2021 were audited by other auditors whose report dated November 2, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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Independent Auditor's Report (Continued)

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

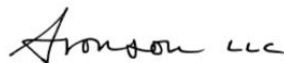
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 **Worldwide ERC®, Inc.**'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Worldwide ERC®, Inc.**'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.



Rockville, Maryland
September 6, 2022

Worldwide ERC®, Inc.

Consolidated Statements of Financial Position

<i>March 31,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 1,251,493	\$ 2,066,956
Investments	6,974,578	7,099,092
Accounts receivable net	18,681	88,017
Income tax refund receivable	251,190	481,753
Prepaid expenses and other assets	159,043	84,384
Property and equipment, net	782,708	990,517
Total assets	\$ 9,437,693	\$ 10,810,719
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 384,455	\$ 697,098
Deferred rent	661,980	721,512
Deferred revenue	2,314,809	2,344,656
Paycheck Protection Program loan	-	492,477
Economic Injury and Disaster loan	152,725	150,000
Total liabilities	3,513,969	4,405,743
Net assets		
Without donor restrictions	5,923,724	6,404,976
Total liabilities and net assets	\$ 9,437,693	\$ 10,810,719

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Worldwide ERC®, Inc.

Consolidated Statements of Activities

<i>Year Ended March 31,</i>	2022	2021
Revenue		
Membership	\$ 3,061,238	\$ 3,174,809
Professional development	832,559	811,338
Events	1,515,308	683,816
MOBILITY	364,327	562,345
Investment income , net	113,753	162,789
Paycheck Protection Program loan forgiveness	492,477	-
Other income	48,978	28,182
Total revenue and support	6,428,640	5,423,279
Expenses		
Program services:		
Professional development	804,731	1,133,496
Events	1,485,365	882,183
Membership	813,840	862,141
Other programs	1,146,662	788,162
Total program services	4,250,598	3,665,982
Supporting services:		
General and administrative	2,393,781	3,235,236
Total expenses	6,644,379	6,901,218
Change in net assets from operations	(215,739)	(1,477,939)
Non-operating		
Provision for income and proxy tax expense	(45,237)	(67,449)
Realized and unrealized (loss) gain on investment	(220,276)	8,309
Change in net assets	(481,252)	(1,537,079)
Net assets, beginning of year	6,404,976	7,942,055
Net assets, end of year	\$ 5,923,724	\$ 6,404,976

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Worldwide ERC®, Inc.

Consolidated Statement of Functional Expenses

<i>Year Ended March 31, 2022</i>	Professional Development	Events	Membership	Other programs	Total Program Services	General and Administrative	Total
Salary and fringe benefits	\$ 524,889	\$ 413,549	\$ 501,030	\$ 524,889	\$ 1,964,357	\$ 580,559	\$ 2,544,916
Professional services	98,118	64,501	107,720	328,789	599,128	1,169,515	1,768,643
Events	-	828,265	-	-	828,265	4,000	832,265
Other programs related	27,882	38,354	28,861	27,882	122,979	66,925	189,904
Operating	92,221	92,146	117,409	203,481	505,257	504,625	1,009,882
Depreciation and amortization	61,621	48,550	58,820	61,621	230,612	68,157	298,769
Total expenses	\$ 804,731	\$ 1,485,365	\$ 813,840	\$ 1,146,662	\$ 4,250,598	\$ 2,393,781	\$ 6,644,379

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Worldwide ERC®, Inc.

Consolidated Statement of Functional Expenses

<i>Year Ended March 31, 2021</i>	Professional Development	Events	Membership	Other programs	Total Program Services	General and Administrative	Total
Salaries and fringe benefits	\$ 527,738	\$ 541,449	\$ 521,596	\$ 236,469	\$ 1,827,252	\$ 1,363,571	\$ 3,190,823
Professional services	453,607	114,570	162,156	395,821	1,126,154	1,058,086	2,184,240
Occupancy and other office expenses	80,412	76,589	99,059	122,271	378,331	481,969	860,300
Depreciation and amortization	47,868	49,111	47,311	21,449	165,739	122,435	288,174
Hosting fees and other expenses	19,685	29,270	21,030	8,809	78,794	207,174	285,968
Events	4,186	71,194	10,989	3,343	89,712	2,001	91,713
Total expenses	\$ 1,133,496	\$ 882,183	\$ 862,141	\$ 788,162	\$ 3,665,982	\$ 3,235,236	\$ 6,901,218

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Worldwide ERC®, Inc.

Consolidated Statements of Cash Flows

<i>Years Ended March 31,</i>	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (481,252)	\$ (1,537,079)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net loss (gain) on investments	220,276	(8,309)
Depreciation and amortization	298,769	288,174
Loss on disposal of property and equipment	1,247	-
Interest accrued on Economic Injury and Disaster loan	5,930	-
Forgiveness of Paycheck Protection Program loan	(492,477)	-
(Increase) decrease in		
Accounts receivable	69,336	114,005
Income tax refund receivable	230,563	39,811
Prepaid expense and other assets	(74,659)	168,454
(Decrease) increase in		
Accounts payable and accrued expenses	(312,643)	(541,371)
Deferred revenue	(29,847)	(307,941)
Deferred rent	(59,532)	(49,399)
Net cash used by operating activities	(624,289)	(1,833,655)
Cash flows from investing activities		
Purchases of property and equipment	(92,207)	(5,401)
Purchases of investments	(113,041)	(2,241,615)
Proceeds from sale of investments	17,279	4,997,392
Net cash (used) provided by investing activities	(187,969)	2,750,376
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	-	492,477
Payments on Economic Injury and Disaster loan	(3,205)	-
Proceeds from Economic Injury and Disaster loan	-	150,000
Net cash (used in) provided by financing activities	(3,205)	642,477
Net change in cash and cash equivalents	(815,463)	1,559,198
Cash and cash equivalents, beginning of year	2,066,956	507,758
Cash and cash equivalents, end of year	\$ 1,251,493	\$ 2,066,956
Supplementary information		
Cash paid for interest	\$ 5,930	\$ -
Cash paid during during the year for income taxes	\$ 19,094	\$ 35,400

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

Organization: Worldwide ERC®, Inc. (Worldwide ERC®), is a nonprofit membership organization that creates innovative solutions for those managing and supporting global relocation and other workforce transitions. In 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 \$0 and \$69,991 as of March 31, 2022 and 2021, respectively. The WFOE's liabilities totaled \$0 and \$49,887 as of March 31, 2022 and 2021, respectively. On August 21, 2020, Worldwide ERC®'s Board of the Directors approved a resolution to dissolve the WFOE. The WFOE was dissolved in January 2021.

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 issued 1,000 shares of stock and was a wholly-owned subsidiary of Worldwide ERC®. The WFOE was a wholly-owned subsidiary of Gx, which has provided \$80,000 (in U.S. Dollars) of capital to the WFOE. Gx's assets totaled \$0 and \$42,771 as of March 31, 2022 and 2021, respectively. Gx's liabilities totaled \$0 and \$5,545 as of March 31, 2022 and 2021 representing an amount due to the WFOE. On August 21, 2020, Worldwide ERC®'s Board of Directors approved a resolution to dissolve Gx. Gx was dissolved in January 2021.

Principles of consolidation: The consolidated financial statements include the accounts of Worldwide ERC®, the WFOE and Gx. Significant intra-entity accounts have been eliminated in consolidation.

Basis of presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents: For financial statement purposes, Worldwide ERC® considers demand deposit cash accounts and money market funds which are intended to be used for current operations and which have initial maturities of ninety days or less to be cash and cash equivalents. Cash and money market funds held within the investment portfolio are classified as investments.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

Investments: Investments consist principally of cash, money market funds, certificates of deposit, corporate bonds and U.S. Government obligations. Corporate bonds and U.S. Government obligations are presented at fair market value based on indirectly determinable market prices. Money market funds are presented at cost, which approximates fair value. Certificates of deposit are presented at cost plus accrued interest which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes Worldwide ERC®'s gains and losses on investments bought and sold as well as held during the year.

Worldwide ERC® values investments in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly;

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at March 31, 2022 or 2021.

Accounts receivable: Accounts receivable primarily consists of amounts due related to MOBILITY advertising revenue and events registrations. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the customer and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged directly to bad debt expense. Bad debt expense was \$0 and \$155,000 for the years ended March 31, 2022 and 2021, respectively.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

Income tax refund receivable: Worldwide ERC® has a tax refund receivable totaling \$251,190 and \$481,753 at March 31, 2022 and 2021, respectively. The tax refund receivable relates to amended returns for March 31, 2017, 2018, and 2019 in addition to the refund due from the return related to the year ended March 31, 2020 which was 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, was filed and the related refund was received in May 2021. The amended returns for March 31, 2018 and 2019 have been filed and a receivable is recorded for the related refunds. 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.

Property and equipment: Acquisitions of property and equipment greater than \$500 are recorded at cost. Using the straight-line method, depreciation or amortization of property and equipment is recorded over the estimated 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.

Long-lived assets and impairment: Worldwide ERC® periodically evaluates the carrying value of long-lived assets, including, but not limited to, leasehold improvements and property and equipment, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such an asset are separately identifiable and are less than its carrying value. In that event, a loss is recognized to the extent that the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. During 2022 and 2021, Worldwide ERC®'s management did not consider any impairment expense necessary.

Deferred revenue: Deferred revenue consists of membership, professional development fees and events registration fees which are received in advance of services to be provided by Worldwide ERC®.

Deferred rent: Worldwide ERC® recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease. Differences between amounts recognized as expense and the amounts actually paid are recorded as deferred rent on the Consolidated Statements of Financial Position along with the unamortized landlord provided tenant improvement allowance.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

Classification of net assets: Net assets and revenue are classified based upon the existence or absence of donor imposed restrictions. Accordingly, the net assets of Worldwide ERC® and changes therein are classified and reported as net assets with donor restrictions or net assets without donor restrictions.

Net assets without donor restrictions – net assets are classified as without donor restrictions unless their use is expressly limited by donor stipulation or applicable law.

Net assets with donor restrictions – net assets consist of amounts that are subject to donor restrictions that will be met by Worldwide ERC® undertaking specific activities and/or by the passage of time.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions. As of March 31, 2022 and 2021, there were no donor restricted net assets.

Revenue recognition: Worldwide ERC® recognizes revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Membership – Membership dues provide economic, as well as other, benefits to members. Membership agreements have a term of one year, have a fixed price, and are typically paid in advance. Over the term of the membership, Worldwide ERC® provides continuous access to industry collaborations, research support, information resources, network opportunities and other benefits. All services are transferred and used by the member relatively evenly over the same period of time. Accordingly, Worldwide ERC® satisfied the performance obligation(s) and recognized revenue ratably over the membership period.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

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 customer have access to the course materials. Certified Relocation Professional fees are recognized at a point in time when related examination is held.

Events – Events revenue includes registration fees, exhibit fees and sponsorship. Payments are typically received in advance at a fixed amount, and revenue is recognized at the point in time that the related event takes place.

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.

Contract assets and liabilities: Any amounts received in advance for contracted services that have not yet been provided, registration for events that have not yet taken place, or membership dues not yet earned are recorded as deferred revenue in the accompanying Consolidated Statements of Financial Position. Deferred revenue was \$2,314,809 and \$2,344,656 as of March 31, 2022 and 2021, respectively. Opening balance of deferred revenue was \$2,652,597 at April 1, 2020. There were no contract assets as of March 31, 2022 and 2021, and no contract assets at April 1, 2020.

Contract cost: Contract costs generally include direct costs such as compensation expenses for program personnel, travel reimbursements, and other direct costs incurred including costs of material and indirect costs identifiable with and allocable to the contract program. The Organization does not incur significant incremental costs to acquire contracts.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. 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.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

Expenses that are allocated include the following:

Expenses	Method of Allocation
Salary and fringe benefits	Time and effort
Occupancy and other office expense	Time and effort
Depreciation and amortization	Time and effort
Hosting fees and other expenses	Time and effort

Income taxes: Worldwide ERC® is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC). However, Worldwide ERC® is subject to taxes on unrelated business activities. The provision for income tax (expense) benefit reported in the consolidated statements of activities in non-operating activity includes Worldwide ERC®'s current federal and state income taxes and federal proxy tax expense. Unrelated business income taxes totaled approximately \$23,000 and \$29,000 and proxy tax totaled approximately \$22,000 and \$26,000 for the year ended March 31, 2022 and 2021, respectively. Income and proxy taxes payable totaling \$15,000 and \$20,032 at March 31, 2022 and 2021, respectively, have been included in the accounts payable in the accompanying Consolidated Statements of Financial Position.

Gx filed corporate income tax returns with the U.S. government and the Commonwealth of Virginia and had net operating loss carry forwards which were generated between March 31, 2015 and March 31, 2017 which totaled \$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, 2022 and 2021, and has not recorded a deferred tax asset related to the net operating loss carryforwards due to the uncertainty that benefit would be realized. Gx was dissolved in January 2021.

Zhiqian filed 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, 2022 and 2021. Zhiqian was dissolved in January 2021.

Uncertainty in income taxes: Worldwide ERC® evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement. As of March 31, 2022 and 2021, there are no accruals for uncertain tax positions. If applicable, Worldwide ERC® records interest and penalties as a component of income tax expense. Tax years from 2019 through the current year remain open for examination by tax authorities.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Credit risk: Worldwide ERC® maintains demand deposits 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. 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 losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

Market risk: Worldwide ERC® also invests funds in a professionally managed portfolio of various types of fixed income securities and publicly traded equity securities. Such investments are exposed to market and credit risks. Therefore, Worldwide ERC® investments may be subject to significant fluctuations in fair value and investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

Recent accounting pronouncement not yet adopted: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the existing lease accounting standard and sets out principles for the recognition, measurement, presentation and disclosure of leases. Under the new guidance, a lessee will be required to recognize lease assets and lease liabilities for all leases with lease term in excess of twelve months. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expenses is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASU 2016-02 was originally effective for Worldwide ERC® on April 1, 2021. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective date of ASU 2016-02 to annual reporting periods beginning after December 15, 2021. Worldwide ERC® adopted ASU 2016-02 in accordance with the prescribed guidance effective April 1, 2022.

Reclassification: Certain 2021 balances have been reclassified to conform to 2022 presentation.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

Subsequent events: Management has evaluated subsequent events for disclosure in these consolidated financial statements through September 6, 2022, which is the date the consolidated financial statements were available to be issued.

2. Liquidity and availability of resources

The following table reflects Worldwide ERC® financial assets as of March 31, 2022 and 2021, reduced by any amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of donor, collateral, or internal board designations.

The following represents the Worldwide ERC® financial assets at March 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,251,493	\$ 2,066,956
Investments	6,974,578	7,099,092
Accounts receivable	18,681	88,017
Income tax refund receivable	251,190	481,753
Total financial assets	8,495,942	9,735,818
Financial assets available to meet general expenditures over the next twelve months	\$ 8,495,942	\$ 9,735,818

3. Investments

Investments are stated at fair value and are comprised of the following as of March 31:

Investments	<u>2022</u>	<u>2021</u>
Cash and money market funds	\$ 875,063	\$ 1,251,278
Certificates of deposit	2,705,474	2,408,000
Fixed income		
Corporate bonds	1,229,230	1,656,289
U.S. Government obligations	2,164,811	1,783,525
Total investments	\$ 6,974,578	\$ 7,099,092

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

4. Fair value The fair value of investments is as follows:

March 31, 2022	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Corporate bonds	\$1,229,230	\$ -	\$ 1,229,230	\$ -
U.S. Government obligations	2,164,811	-	2,164,811	-
Total	\$3,394,041	\$ -	\$ 3,394,041	\$ -

Investments valued at cost:

Cash	875,063
Certificates of Deposit	2,705,474
Total investments	\$6,974,578

March 31, 2021	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Corporate bonds	\$ 1,656,289	\$ -	\$ 1,656,289	\$ -
U.S. Government obligations	1,783,525	-	1,783,525	-
Total	\$ 3,439,814	\$ -	\$ 3,439,814	\$ -

Investments valued at cost:

Cash	1,251,278
Certificates of Deposit	2,408,000
Total investments	\$ 7,099,092

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

5. Property and equipment

Property and equipment consisted of the following at March 31:

	2022	2021
Furniture and fixtures	\$ 1,912,250	\$ 2,094,471
Leasehold improvements	728,342	728,342
Total property and equipment	2,640,592	2,822,813
Less – accumulated depreciation and amortization	(1,857,884)	(1,832,296)
Net property and equipment	\$ 782,708	\$ 990,517

Depreciation and amortization expense on property and equipment was \$298,769 and \$288,174 for the years ended March 31, 2022 and 2021, respectively.

6. Leases

Operating lease: Worldwide ERC® has an operating lease agreement for office space which expires October 31, 2028. The lease also contains 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 the 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 \$661,980 and \$721,512 for years ended March 31, 2022 and 2021 respectively.

Rent expense totaled \$355,750 for the years ended March 31, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

Year ending March 31,				
2023	\$		425,634	
2024			436,274	
2025			447,182	
2026			458,361	
2027			469,820	
Thereafter			766,533	
Total	\$		3,003,804	

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

- 7. Retirement and deferred compensation plans**
- Deferred Compensation Plan:** Worldwide ERC® has a deferred compensation plan under Section 457(b) of the Internal Revenue Code for the benefit of a previous executive. The assets in the plan were liquidated in full during the year ended March 31, 2021
- Defined contribution Plan:** Worldwide ERC® sponsors a qualified 401(k) plan which is available to all eligible employees who meet age and length of service requirements as defined by the plan document. Worldwide ERC® contributes up to 4% of participant compensation as a matching contribution to the Plan and participants may also make elective deferrals into the Plan. Worldwide ERC® contributions to the plan totaled \$68,098 and \$85,381 for the years ended March 31, 2022 and 2021, respectively.
- 8. Commitments and contingencies**
- Hotel agreements:** Worldwide ERC® entered into various 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.
- Employment agreement:** Worldwide ERC® has an employment agreement with the President and Chief Executive Officer. Under the terms of the agreement, should Worldwide ERC® terminate their employment without cause, it would be obligated to pay severance as stipulated in the agreement.
- 9. Risks and uncertainties**
- As a result of the spread of the COVID-19 coronavirus, Worldwide ERC® has experienced disruptions to daily operations. Economic uncertainties have arisen which are likely to negatively impact revenues. Businesses and public places are subject to closure or limited capacity as dictated by local and state governments. Other financial impacts could occur, though such potential impact is unknown at this time.

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

10. Paycheck Protection Program loan

In March 2021, Worldwide ERC® received a loan from the United States Small Business Administration (the “SBA”) in the amount of \$492,477, pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP loan had a two-year term and bore interest at a rate of 1.00% per annum. Monthly principal and interest payments are deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower’s loan forgiveness amount to the lending financial institution, or 12 months after the end of the covered period for loan forgiveness. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Worldwide ERC® applied for forgiveness of the loan during 2021. On October 29, 2021, Worldwide ERC® received notification it received full forgiveness of the loan from the SBA.

The Organization elected ASC 470 – *Debt* to account for the initial proceeds of the PPP loan. Accordingly, the PPP loan was initially recorded as a liability. Upon notification of full loan forgiveness of the PPP loan, the Organization recorded a contribution during 2022 totaling \$492,477 to reflect the nonreciprocal legal release of the obligation as required by ASC 958 – *Not-for-profit Entities*.

11. EID loan

In October 2020, Worldwide ERC® obtained an Economic Injury Disaster Loan (“EIDL”) totaling \$150,000 from the SBA due to the effects of the Coronavirus pandemic. The EIDL has a 30-year term and bears interest at a rate of 2.75% per annum. Monthly principal and interest payments are deferred for 12 months after the date of disbursement. After the deferment period, the EIDL is payable in monthly installments of \$641. The EIDL may be prepaid at any time prior to maturity with no prepayment penalty. The EIDL is collateralized by a security interest in the assets of Worldwide ERC®.

The following is a schedule of future minimum required EIDL payments as of March 31, 2022:

Year ending March 31,		
	2023	\$ -
	2024	2,779
	2025	3,513
	2026	3,612
	2027	3,712
	Thereafter	139,109
	<u>Total</u>	<u>\$ 152,725</u>

Worldwide ERC®, Inc.

Notes to Consolidated Financial Statements

12. Related party transaction

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 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 the Worldwide ERC®'s consolidated financial statements.

Worldwide ERC® has recorded a receivable from the Foundation totaling \$1,714 and \$20,172 as of March 31, 2022 and 2021, respectively, primarily representing administrative fees. Worldwide ERC® has recorded a payable to the Foundation totaling \$4,209 and \$3,700 as of March 31, 2022 and 2021, 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, 2022 and 2021. Administrative fees have been included in the other income in the accompanying Consolidated Statements of Activities.