HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Financial Statements

Year ended July 31, 2022 and the Ten-month Period ended July 31, 2021

CONTENTS

Leonard, Mulherin & Greene, P.C.
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hult International Business School, Inc.
Cambridge, Massachusetts

Opinion

We have audited the accompanying financial statements of Hult International Business School, Inc. (a Massachusetts nonprofit corporation) (the "School"), which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities, and cash flows for the year and ten-month period then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of July 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year and ten-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the School's ability to continue as a going concern within one year after the date that the 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 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.

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INDEPENDENT AUDITOR'S REPORT

(continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 judgement 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 the Schools'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 the School'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.

Leonard, Mulherin & Greene, P.C.

LEONARD, MULHERIN & GREENE, P.C.
Braintree, Massachusetts

October 20, 2022

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Statements of Financial Position
July 31, 2022 and 2021

		2022		2021
ASSETS				
Current Assets				
Cash and cash equivalents	$	**92,074,028**	$	94,032,198
Accounts receivable		**7,296,266**		884,609
Other receivables (see Note 4)		**15,617**		3,142,662
Prepaid expenses and other assets		**8,209,931**		5,721,718
Total current assets		**107,595,842**		103,781,187
PROPERTY AND EQUIPMENT,				
net of accumulated depreciation		**1,329,664**		1,857,422
OTHER ASSETS				
Restricted deposits		**600,000**		600,000
Total assets	$	**109,525,506**	$	106,238,609
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	$	**14,301,107**	$	11,478,438
Deferred revenue		**61,962,132**		68,236,524
Other current liabilities (see Note 4)		**9,865,916**		547,693
Total liabilities		**86,129,155**		80,262,655
COMMITMENTS AND CONTINGENCIES				
NET ASSETS				
Without donor restrictions		**23,396,351**		25,975,954
Total net assets		**23,396,351**		25,975,954
Total liabilities and net assets	$	**109,525,506**	$	106,238,609

The accompanying notes are an integral part of these financial statements.

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Statements of Activities
Year ended July 31, 2022 and Ten-month period ended July 31, 2021

	Without Donor Restrictions	
	Year ended July 31, 2022	Ten-month period ended July 31, 2021
REVENUE AND SUPPORT		
Tuition and fees	**$ 170,321,216**	$ 127,802,152
Student scholarships	**(43,623,621)**	(36,443,217)
Other income	**7,003,498**	4,260,320
Grant revenue	**2,229,167**	-
Exchange gains (losses)	**(495,378)**	916,182
Interest income	**79,017**	94,255
Total revenue and support	**135,513,899**	96,629,692
EXPENSES		
Property and office related costs	**43,304,023**	26,900,045
Purchased goods and services	**31,185,796**	23,616,954
Student enrollment and marketing	**41,383,987**	23,062,536
Staff costs	**22,219,696**	18,846,425
Total expenses	**138,093,502**	92,425,960
CHANGE IN NET ASSETS	**(2,579,603)**	4,203,732
NET ASSETS, beginning of period	**25,975,954**	21,772,222
NET ASSETS, end of period	**$ 23,396,351**	$ 25,975,954

The accompanying notes are an integral part of these financial statements.

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Statements of Cash Flows
Year ended July 31, 2022 and Ten-month period ended July 31, 2021

	Year ended July 31, 2022	Ten-month period ended July 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ **(2,579,603)**	$ 4,203,732
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	**660,372**	567,448
(Increase) decrease in asset accounts		
Accounts receivable	**(6,411,657)**	(714,151)
Other receivables	**3,127,045**	453,115
Prepaid expenses and other assets	**(2,488,213)**	133,949
Increase (decrease) in liability accounts		
Accounts payable and accrued expenses	**2,822,669**	(3,143,589)
Deferred revenue	**(6,274,392)**	8,352,688
Other current liabilities	**9,318,223**	(1,057,083)
Net cash provided by (used in) operating activities	**(1,825,556)**	8,796,109
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(132,614)**	(625,217)
Net cash provided by (used in) investing activities	**(132,614)**	(625,217)
Net increase (decrease) in cash, cash equivalents and restricted cash	**(1,958,170)**	8,170,892
Cash, cash equivalents and restricted cash, beginning of year	**94,632,198**	86,461,306
Cash, cash equivalents and restricted cash, end of year	$ **92,674,028**	$ 94,632,198

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The School paid no interest or income taxes during the year ended July 31, 2022 and the ten-month period ended July 31, 2021.

The accompanying notes are an integral part of these financial statements.

1 – NATURE OF ORGANIZATION

Hult International Business School, Inc. (the "School") is a nonprofit organization that was incorporated in Massachusetts in September 1996. The School offers one or multi-year Post Graduate Programs, in among others, Business Administration, Finance, International Business and International Marketing, as well as a Bachelor's Program in Business Administration.

The School is accredited by the New England Commission of Higher Education, Inc. and is a member of the American Assembly of Collegiate Schools of Business ("AACSB").

The School has campus locations in Cambridge, Massachusetts and San Francisco, California, and services students in London, United Kingdom, Dubai, United Arab Emirates, Shanghai, China and New York, USA.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Change in Fiscal Year
During 2021, the School elected to change its fiscal year end from September 30 to July 31. Accordingly, these financial statements report the School's financial position as of July 31, 2022 and 2021 and activities and cash flows for the year ended July 31, 2022 and the ten-month period ended July 31, 2021.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements
The School follows the provisions of GAAP for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. These provisions define fair value as the price that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These provisions also establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Application of these provisions has not resulted in any change in the measurement of the carrying value of the School's financial assets or liabilities.

Cash, Cash Equivalents and Restricted Cash
For purposes of the Statements of Cash Flows, the School considers all highly liquid investments available for current use with an initial maturity of three months or less, to be cash equivalents.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Restricted Cash (continued)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Statements of Financial Position to the sum of those amounts reported in the Statements of Cash Flows as of July 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	**$ 92,074,028**	$ 94,032,198
Restricted deposits	**600,000**	600,000
Total cash, cash equivalents and restricted cash	**$ 92,674,028**	$ 94,632,198

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At July 31, 2022 and 2021, the School had established a valuation allowance of $2,111,916 and $3,033,089, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation expense has been calculated using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Significant fixed asset additions are capitalized, while expenditures for maintenance and repairs are expensed as incurred. The School purchases classroom supplies which include textbooks, literature and other materials to carry on educational activities. These purchases are expensed as incurred.

Net Assets

Net assets, revenue, support, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Consist of net assets available for use in general operations that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Consist of net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or the expending of the net assets for particular purposes as specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the principal is to be maintained in perpetuity (donor-restricted endowment) and only the income from such net assets may be expended as specified by the donor or in accordance with the applicable Massachusetts law. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released to net assets without donor restrictions when the assets are placed in service. 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

The School had no net assets with donor restrictions as of July 31, 2022 and 2021.

Revenue Recognition

The School's revenues are primarily generated by tuition and fees received from students enrolled in and attending the School's academic programs. Revenue is recognized as the services are provided to students. Student payments received in advance of services provided are recorded as deferred revenue.

During the year ended July 31, 2022 and the ten-month period ended July 31, 2021, the School recognized tuition reductions for students who, due to Covid-19 implications, started their program remotely, totaling $113,649 and $8,169,524, respectively.

Contributions

Contributions are recognized at the earlier of when received or when a donor declares an unconditional promise to give cash or other assets to the School. Donor-restricted contributions are reported as increases in net assets without donor restrictions if the restrictions are satisfied or expire in the same fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction has been satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barriers to be overcome before the School is entitled to the assets transferred or promised, and a right of return or release, are not recognized as contributions revenue until the conditions have been substantially met or waived.

Functional Allocation of Expenses

The costs of providing program and supporting services activities for the year ended July 31, 2022 and the ten-month period ended July 31, 2021 have been summarized on a functional basis below. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include employee compensation, occupancy, various other program and administrative costs and depreciation. These expenses have been allocated on the basis of estimated time and effort, square footage as well as other reasonable allocation methods.

Year ended July 31, 2022	**Program Services**	**Supporting Services**	**Total Expenses**
Property and office related costs	$ 24,514,610	$ 18,789,412	$ 43,304,022
Purchased goods and services	31,185,796	-	31,185,796
Student enrollment and marketing	41,383,989	-	41,383,989
Staff costs	20,763,035	1,456,661	22,219,696
Total	**$ 117,847,430**	**$ 20,246,073**	**$ 138,093,503**

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (continued)

Ten-month period ended July 31, 2021	Program Services	Supporting Services	Total Expenses
Property and office related costs	$ 16,409,348	$ 10,490,697	$ 26,900,045
Purchased goods and services	23,616,954	-	23,616,954
Student enrollment and marketing	23,062,536	-	23,062,536
Staff costs	18,322,262	524,163	18,846,425
Total	$ 81,411,100	$ 11,014,860	$ 92,425,960

Advertising

Advertising and promotional costs are expensed as incurred and totaled $6,775,014 and $4,722,530 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively.

Foreign Currency Transactions

Revenue and expense transactions in foreign currencies are converted into United States dollars at the specific rate of exchange on the date of the transactions. In addition, assets and liabilities held in foreign currencies are converted into United States dollars at the applicable rate of exchange at fiscal year-end. Gains and losses on foreign exchange transactions are reflected on the Statements of Activities.

Tax Status

The School is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and contributions to it are tax deductible within the limitations prescribed by the Code.

The School is subject to routine examinations by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The School believes it is no longer subject to income tax examinations for years prior to 2019.

Subsequent Events

The School evaluated events that occurred after July 31, 2022, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, October 20, 2022, for potential recognition or disclosure in the financial statements. The School did not identify any subsequent events that had a material effect on the accompanying financial statements.

Reclassifications

Certain amounts in the prior year column have been reclassified from the prior year audited financial statements to conform to the current year presentation. These reclassifications had no effect on the change in net assets.

3 - LIQUIDITY AND AVAILABILITY

The School regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities of its programs as well as the conduct of services undertaken to support those activities to be general expenditures.

3 - LIQUIDITY AND AVAILABILITY (continued)

At July 31, 2022, 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 consist of the following:

Cash and cash equivalents	**$ 92,074,028**
Accounts receivable	**7,296,266**
Total financial assets available within one year	**$ 99,370,294**

4 – SIGNIFICANT PARTY TRANSACTIONS

In connection with the recruitment of students and administration of its educational programs, in prior years, the School entered into various agreements with significant parties as described below:

Contractual Agreements
The School has a management services agreement with Hult Support Services, Ltd. ("HSS"), a for profit entity owned by the School. HSS provides administrative (legal support, cash flow management support and risk management services) and IT support services to the School. The School was charged $11,235,483 and $8,572,179 during the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively. At July 31, 2022 and 2021, the School owed HSS $177,550 and $58,941, respectively, which is included in "Other current liabilities" on the accompanying Statements of Financial Position.

The School had a contractual arrangement with EF Institute for Cultural Exchange, Inc. ("EF Institute") for certain local administrative services. EF Institute provided payroll processing, health insurance and retirement plan administration and other administrative support services to the School. The School and EF Institute contracted these services under an agreement that expired September 30, 2021. The School was charged $970,312 and $2,189,020 by EF Institute for these services during the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively. At July 31, 2022 EF Institute owed the School $646, which is included in "Other receivables" on the accompanying Statements of Financial Position. At July 31, 2021 the School owed EF Institute $4,993 which is included in "Other current liabilities" on the accompanying Statements of Financial Position.

Effective October 1, 2021, the School entered into a contractual agreement with EF Services, Inc. ("EF Services") for certain local administrative services. EF Services provides payroll processing, health insurance and retirement plan administration and other administrative support services to the School. The School and EF Services contracted these services under an agreement that is subject to renewal on October 1 of each year. The School was charged $1,497,420 by EF Services for these services during the year ended July 31, 2022. At July 31, 2022 the School owed EF Services $231,114 which is included in "Other current liabilities" on the accompanying Statements of Financial Position.

The School has a contractual agreement with Hult Investments FZ-LLC ("FZ-LLC") an LLC organized in the United Arab Emirates, whereby FZ-LLC delivers all local operational and administrative services relating to the School's academic programs in Dubai, including general and administrative services (finance, payroll, facilities management, etc.), recruitment, and curriculum implementation.

4 – SIGNIFICANT PARTY TRANSACTIONS (continued)

Contractual Agreements (continued)
Service costs incurred by the School with FZ-LLC totaled $6,868,592 and $5,060,287 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively. No amounts were payable to or receivable from FZ-LLC at July 31, 2022 and 2021.

The School and Hult International Business School, Ltd. ("Hult Ltd."), a charitable organization in the United Kingdom ("UK"), have a contractual agreement, whereby Hult Ltd. delivers all local operational and administrative services relating to the School's academic programs in the UK. These services include general and administrative services (finance, payroll, facilities management, etc.), and curriculum implementation. Service costs incurred by the School with Hult Ltd. totaled $18,908,558 and $15,477,483 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively. At July 31, 2022, the School owed Hult Ltd. $687,329, which is included in "Other current liabilities" on the accompanying Statements of Financial Position. At July 31, 2021, Hult Ltd. owed the School $3,129,235. which is included in "Other current receivables" on the accompanying Statements of Financial Position.

Other Contractual Agreements
The School has contractual agreements with various significant parties to provide enrollment and recruitment services to the School. Amounts billed for student enrollment and recruitment services for the year ended July 31, 2022 and the ten-month period ended July 31, 2021 are as follows:

	Year ended July 31, 2022	Ten-month period ended July 31, 2021
Hult Recruiting Services, Ltd. (United Kingdom)	**$6,034,349**	$3,933,184
Hult Investments FZ-LLC (United Arab Emirates)	**4,874,605**	2,933,258
Hult Recruitment Services GmbH (Switzerland)	**3,537,941**	3,608,598
Hult International Business School, Ltd. (Hong Kong)	**2,159,577**	1,235,908

The amounts due to/from the above entities for student enrollment and recruitment services at July 31, 2022 and 2021 are included as either "Other current liabilities" or "Other current receivables" in the accompanying Statements of Financial Position.

License Fees
The School has a licensing agreement with Hult International Business School AG ("AG"), a Swiss corporation, that allows the School to use certain trademarks, logos, domain names and other intangible assets owned by AG. Prior to 2022, the School benefited from a discount to the license fee. Effective 2022, the School was charged a license fee according to the license agreement between the parties, priced using a fair market value analysis of the intangibles, as determined by a disinterested third party.

During the periods ended July 31, 2022 and 2021, the School incurred licensing expenses totaling $8,095,000 and $478,000, respectively. At July 31, 2022 and 2021, the School owed AG $8,573,000 and $478,000, respectively, which is included in "Other current liabilities" on the accompanying Statements of Financial Position.

4 – SIGNIFICANT PARTY TRANSACTIONS (continued)

Rental Agreements

The School rents classroom, dormitory and administrative space from Efekta Schools, Inc., Efekta Entrance, Inc., Efekta Three, Inc. (collectively "Efekta") and EF Language Schools, Inc. as described in Note 7.

5 – PROPERTY AND EQUIPMENT

Property and equipment at July 31, 2022 and 2021 are summarized below:

2022	**Cost**	**Accumulated Depreciation**
Leasehold improvements	**$ 29,382**	**$ 26,744**
Computer equipment	**151,577**	**113,010**
Office equipment and furnishings	**3,175,730**	**1,887,271**
Total	**$ 3,356,689**	**$ 2,027,025**

2021	Cost	Accumulated Depreciation
Leasehold improvements	$ 47,421	$ 39,653
Computer equipment	151,577	80,660
Office equipment and furnishings	3,092,710	1,313,973
Total	$ 3,291,708	$ 1,434,286

Depreciation expense for the year ended July 31, 2022 and the ten-month period ended July 31, 2021 totaled $660,372 and $567,448, respectively.

6 – RETIREMENT PLAN

The School participates in a salary deferral "401(k) Plan" (the "Plan"), administered by EF Services. The Plan allows employees to contribute a portion of their compensation to the Plan on a tax-deferred basis with a 25% matching contribution by the School. Contributions to the Plan charged to operations totaled $227,303 and $202,859 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively.

7 – COMMITMENTS

Operating Leases - Efekta

The School has several lease (or sublease) agreements with Efekta for classroom and administrative space, dormitories and campus facilities that expire at various times through September 2024. A summary of these agreements is as follows at July 31, 2022:

Campus	**Purpose**	**Expiration Date**
Cambridge, MA	Classroom and administrative space	09/30/2024
Cambridge, MA	Undergraduate campus	09/30/2024
Cambridge, MA	Undergraduate dormitories	08/31/2024

7 – COMMITMENTS (continued)

Operating Leases – Efekta (continued)
Rent expense under the agreements for the Cambridge, MA locations totaled $15,143,070 and $9,593,333 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively.

Operating Lease – San Francisco
The School has entered into a lease agreement for classroom and administrative space in San Francisco, CA with a third party landlord that expires on July 31, 2028. Rent expense for the San Francisco, CA location totaled $3,112,011 and $2,517,865 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively.

As part of its lease agreement in San Francisco, the School is required to maintain a letter of credit with a bank totaling $600,000 at July 31, 2022 and 2021. The letter of credit is secured by cash accounts in the same amount. This amount is included as "Restricted deposits" on the accompanying Statements of Financial Position at July 31, 2022 and 2021.

The lease agreements above contain provisions whereby the School is required to make additional lease payments should the landlord's real estate taxes and operating expenses exceed certain thresholds.

Operating Leases – Language Schools
The School had an additional agreement with EF Language Schools, Inc. to lease space in Miami, FL for enrollment services that expired on February 28, 2022. Rent expense paid to EF Language Schools, Inc. under this agreement totaled $119,916 for the year ended July 31, 2022 and $129,287 for the ten-month period ended July 31, 2021.

Operating Leases - Other
The School also leased space for administrative and classroom space in New York and Miami during the year ended July 31, 2022. Rent expense paid under these leases totaled $62,200 during the year ended July 31, 2022.

Future minimum lease payments under the above agreements are as follows for the years ending July 31:

2023	**$ 18,883,631**
2024	**18,979,823**
2025	**5,420,983**
2026	**3,502,402**
2027	**3,607,844**
Thereafter	**3,715,752**
	$ 54,110,435

Total Rent Expense – Facilities
Rent expense for all facilities totaled $18,437,197 and $12,240,485 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively.

7 – COMMITMENTS (continued)

Operating Leases – Equipment

The School has operating lease agreements for office equipment expiring in September 2024. Future minimum lease payments under these agreements are as follows for the years ending July 31:

2023	**$ 1,996**
2024	**1,996**
2025	**333**
	$ 4,325

Rent expense for office equipment totaled $3,586 and $2,765 for the year ended July 31, 2022 and the ten-month period ended July 31, 2021, respectively.

Operating Sublease – EF International Language Schools, Inc.

Effective August 1, 2021, the School began subleasing a portion of the classroom and administrative space at its San Francisco location to EF International Language Schools, Inc. at an annual base rent of $560,000. Rent is payable to the School in monthly installments of $46,667 and the sublease expires on July 31, 2024.

Future minimum rental commitments due from EF International Language Schools, Inc. for the next two years ending July 31 are as follows:

2023	**$ 560,000**
2024	**560,000**
	$1,120,000

8 – CONTINGENCIES AND CONCENTRATION OF CREDIT RISK

Contingencies

Legal Matters

The School is party to claims arising in the normal course of business. While the ultimate resolution of these claims or other proceedings against the School cannot be predicted with certainty, management does not expect these matters to have a materially adverse effect on the School's financial position or results of operations.

During the year ended July 31, 2022, due to extraordinary circumstances, the School incurred legal and professional fees totaling approximately $ 3,800,000 for an independent external review related to the Hult Prize. The Hult Prize is an annual year-long competition that the School sponsors, that crowd-sources ideas from post-graduate students after challenging them to solve pressing social issues around topics such as food security, water access, energy and education.

Concentration of Credit Risk

The School maintains its cash in bank accounts with financial institutions that management believes to be of high credit quality. Balances in these accounts may, at times, exceed federal or other insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to any significant credit risk relative to cash or cash equivalents.