

**HULT INTERNATIONAL
BUSINESS SCHOOL, INC.**

Financial Statements

Years ended July 31, 2023 and 2022

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Financial Statements

Years ended July 31, 2023 and 2022

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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, 2023 and 2022, and the related statements of activities, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years 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.

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

November 8, 2023

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Statements of Financial Position

July 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 80,739,968	\$ 92,074,028
Accounts receivable	7,709,353	7,296,266
Other receivables (see Note 4)	913,619	15,617
Prepaid expenses and other assets	10,735,362	8,209,931
Total current assets	100,098,302	107,595,842
PROPERTY AND EQUIPMENT,		
net of accumulated depreciation	1,085,150	1,329,664
OTHER ASSETS		
Operating leases, right-of-use, net	33,479,856	-
Restricted deposits	600,000	600,000
Total assets	\$ 135,263,308	\$ 109,525,506
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 6,625,183	\$ 8,890,386
Deferred revenue	63,315,304	67,372,853
Operating lease liabilities, current portion	18,271,793	-
Other current liabilities (see Note 4)	16,760,987	9,865,916
Total current liabilities	104,973,267	86,129,155
LONG-TERM LIABILITIES		
Operating lease liabilities, less current portion	15,741,672	-
Total liabilities	120,714,939	86,129,155
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	14,548,369	23,396,351
Total net assets	14,548,369	23,396,351
Total liabilities and net assets	\$ 135,263,308	\$ 109,525,506

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

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Statements of Activities

Years ended July 31, 2023 and 2022

	Without Donor Restrictions	
	2023	2022
REVENUE AND SUPPORT		
Tuition and fees	\$ 185,107,587	\$ 170,321,216
Student scholarships	(46,282,895)	(43,623,621)
Other income	6,878,246	7,003,498
Grant revenue	649,847	2,229,167
Exchange gains (losses)	(3,406,867)	(495,378)
Interest income	2,094,701	79,017
Total revenue and support	145,040,619	135,513,899
EXPENSES		
Property and office related costs	42,594,168	43,304,023
Purchased goods and services	32,450,104	31,185,796
Student enrollment and marketing	52,315,125	41,383,987
Staff costs	26,529,204	22,219,696
Total expenses	153,888,601	138,093,502
CHANGE IN NET ASSETS	(8,847,982)	(2,579,603)
NET ASSETS , beginning of year	23,396,351	25,975,954
NET ASSETS , end of year	\$ 14,548,369	\$ 23,396,351

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

HULT INTERNATIONAL BUSINESS SCHOOL, INC.**Statements of Cash Flows**

Years ended July 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (8,847,982)	\$ (2,579,603)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	631,935	660,372
Reduction in the carrying amount of right-of-use assets - operating leases	17,876,860	-
Loss on disposal of fixed assets	13,000	-
(Increase) decrease in asset accounts		
Accounts receivable	(413,087)	(6,411,657)
Other receivables	(898,002)	3,127,045
Prepaid expenses and other assets	(2,525,431)	(2,488,213)
Increase (decrease) in liability accounts		
Accounts payable and accrued expenses	(2,265,203)	2,822,669
Deferred revenue	(4,057,549)	(6,274,392)
Operating lease liabilities	(17,343,251)	-
Other current liabilities	6,895,071	9,318,223
Net cash provided by (used in) operating activities	(10,933,639)	(1,825,556)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(400,421)	(132,614)
Net cash provided by (used in) investing activities	(400,421)	(132,614)
Net increase (decrease) in cash, cash equivalents and restricted cash	(11,334,060)	(1,958,170)
Cash, cash equivalents and restricted cash, beginning of year	92,674,028	94,632,198
Cash, cash equivalents and restricted cash, end of year	\$ 81,339,968	\$ 92,674,028

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The School paid no interest or income taxes during the years ended July 31, 2023 and 2022.

SUPPLEMENTARY DISCLOSURE OF NONCASH INFORMATION

Right-of-use assets upon adoption of ASC 842	\$ 51,356,716	\$ -
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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 Accounting Principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*. The objective of this ASU, along with several ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the most significant change from the previous guidance is the requirement to recognize the right-of-use ("ROU") assets and lease liabilities on the Statement of Financial Position for leases classified as operating leases with a term of greater than 12 months. The standard also requires disclosures to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The School adopted the standard effective August 1, 2022.

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.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***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.

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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 80,739,968	\$ 92,074,028
Restricted deposits	600,000	600,000
Total cash, cash equivalents and restricted cash	\$ 81,339,968	\$ 92,674,028

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, 2023 and 2022, the School had established a valuation allowance of \$4,848,172 and \$2,111,916, 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.

Leases

The School applies Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property or equipment for a period of time in excess of twelve months in exchange for consideration. The School defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The School further determined its existing leases are operating leases, which are included as right-of-use ("ROU") assets and lease liabilities in the Statements of Financial Position. ROU assets represent the School's right to use leased assets over the term of the lease. Lease liabilities represent the School's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets are calculated as the present value of the future lease payments adjusted by any initial direct costs, deferred rent liability and lease incentives. ROU assets and lease liabilities are recognized at the lease commencement date.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The School uses the rate implicit in the leases if it is determinable. When the rate implicit in the leases is not determinable, the School uses the risk-free rate as permitted in ASU 2021-09, *Discount Rate for Lessees That Are Not Public Business Entities*. The risk-free rate is applied to all classes of leased assets. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants and to the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately.

In connection with the transition to ASC 842, the School used the modified retrospective approach to measure and recognize leases that existed at August 1, 2022. The School elected to apply ASC 842 retrospectively at the beginning of the period of adoption through a cumulative effect adjustment for the year ended July 31, 2023 and continued to apply the prior lease accounting standard for the year ended July 31, 2022.

As permitted by ASC 842, the School applied the package of three transition practical expedients for leases existing at the transition date. As a result, the School did not reassess whether an arrangement is or contains a lease, did not reassess lease classifications as operating or finance leases, and did not reassess what qualifies as an initial direct cost. Additionally, the School applied the practical expedient to use hindsight for the purpose of determining the lease term. If a lease includes an extension option, the School will consider the changes in facts and circumstances from the initial lease commencement date through the transition date to determine if the changes in facts and circumstances require a change to the initial lease term. In addition, the School applies the short-term lease exemption of not recognizing a ROU asset and lease liability for leases that have terms of 12 months or less.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of operating lease ROU assets and lease liabilities of \$51,356,716 as of August 1, 2022. There was no cumulative effect adjustment to the net assets without donor restrictions at the transition date.

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.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Net Assets (continued)***

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.

The School had no net assets with donor restrictions as of July 31, 2023 and 2022.

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.

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 years ended July 31, 2023 and 2022 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, 2023	Program Services	Supporting Services	Total Expenses
Property and office related costs	\$ 26,738,094	\$ 15,856,074	\$ 42,594,168
Purchased goods and services	32,450,104	-	32,450,104
Student enrollment and marketing	52,315,125	-	52,315,125
Staff costs	24,169,435	2,359,769	26,529,204
Total	\$ 135,672,758	\$ 18,215,843	\$ 153,888,601

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Notes to Financial Statements
July 31, 2023 and 2022

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (continued)

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	1,456,660	22,219,695
Total	\$117,847,430	\$ 20,246,072	\$ 138,093,502

Advertising

Advertising and promotional costs are expensed as incurred and totaled \$7,224,573 and \$6,775,014 for the years ended July 31, 2023 and 2022, 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 2020.

Subsequent Events

The School evaluated events that occurred after July 31, 2023, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, November 8, 2023, 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.

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Notes to Financial Statements
July 31, 2023 and 2022

3 - LIQUIDITY AND AVAILABILITY (continued)

At July 31, 2023, 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	\$ 80,739,968
Accounts receivable	7,709,353
Total financial assets available within one year	\$ 88,449,321

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. Expenses incurred under the agreements have been priced using a fair market value analysis as determined by an independent third party. Activities with significant parties are 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 \$15,193,064 and \$11,235,483 during the years ended July 31, 2023 and 2022, respectively. At July 31, 2023 and 2022, the School owed HSS \$515,239 and \$177,550, 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 by EF Institute for these services during the year ended July 31, 2022. At July 31, 2022, EF Institute owed the School \$646, which is included in "Other receivables" 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 \$2,747,865 and \$1,497,420 by EF Services for these services during the years ended July 31, 2023 and 2022, respectively. At July 31, 2023 and 2022, the School owed EF Services \$235,068 and \$231,114 which is included in "Other current liabilities" on the accompanying Statements of Financial Position.

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Notes to Financial Statements
July 31, 2023 and 2022

4 – SIGNIFICANT PARTY TRANSACTIONS (continued)

Contractual Agreements (continued)

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. Service costs incurred by the School with FZ-LLC totaled \$5,607,839 and \$6,868,592 for the years ended July 31, 2023 and 2022, respectively. At July 31, 2023 the School owed FZ-LLC \$769,860 which is included in "Other current liabilities" on the accompanying Statements of Financial Position. No amounts were payable to or receivable from FZ-LLC at July 31, 2022.

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 \$20,602,899 and \$18,908,558 for the years ended July 31, 2023 and 2022, respectively. At July 31, 2023 and 2022, the School owed Hult Ltd. \$930,662 and \$687,329, respectively, which is included in "Other current liabilities" 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, 2023 and 2022 are as follows:

	Year ended July 31, 2023	Year ended July 31, 2022
Hult Recruiting Services, Ltd. (United Kingdom)	\$5,975,499	\$6,034,349
Hult Investments FZ-LLC (United Arab Emirates)	6,442,041	4,874,605
Hult Recruitment Services GmbH (Switzerland)	6,472,943	3,537,941
Hult International Business School, Ltd. (Hong Kong)	2,397,038	2,159,577

The amounts due to/from the above entities for student enrollment and recruitment services at July 31, 2023 and 2022 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 an independent third party.

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Notes to Financial Statements

July 31, 2023 and 2022

4 – SIGNIFICANT PARTY TRANSACTIONS (continued)

License Fees (continued)

During the years ended July 31, 2023 and 2022, the School incurred licensing expenses totaling \$8,739,000 and \$8,095,000, respectively. At July 31, 2023 and 2022, the School owed AG \$8,739,000 and \$8,573,000, respectively, which is included in "Other current liabilities" on the accompanying Statements of Financial Position.

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, 2023 and 2022 are summarized below:

2023	Cost	Accumulated Depreciation
Leasehold improvements	\$ 67,148	\$ 24,705
Computer equipment	94,369	1,573
Construction in Process	231,381	-
Office equipment and furnishings	2,910,074	2,191,544
Total	\$ 3,302,972	\$ 2,217,822
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

Depreciation expense for the years ended July 31, 2023 and 2022 totaled \$631,935 and \$660,372, 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 \$291,477 and \$227,303 for the years ended July 31, 2023 and 2022, respectively.

7 – LEASES

Operating Leases

The School maintains operating leases for various classroom and administrative space with lease expiration dates through July 2028. Payments under four of the lease arrangements are all fixed with no annual increases. The Hult Campus - San Francisco lease arrangement has fixed payments with annual increases netted against any deferred rent. Under the terms of its office/property leases, the School bears its share of real estate taxes and maintenance costs.

HULT INTERNATIONAL BUSINESS SCHOOL, INC.

Notes to Financial Statements
July 31, 2023 and 2022

7 – LEASES (continued)

Operating Leases (continued)

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, 2023 and 2022. 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, 2023 and 2022.

The weighted-average remaining lease term and discount rate related to the School's operating lease liabilities as of July 31, 2023 were 3.03 years and 2.77%, respectively.

Operating lease liability maturities as of July 31, 2023, are as follows:

2024	\$ 18,931,297
2025	5,407,649
2026	3,502,402
2027	3,733,737
2028	3,841,647
Total undiscounted lease payments	35,416,732
Less imputed interest	(1,403,267)
Total operating lease liabilities	34,013,465
Less current portion	(18,271,793)
Operating lease liabilities, less current portion	\$ 15,741,672

Lease expenses from operating leases totaled \$19,053,979 for the year ended July 31, 2023. Rent expense for the year ended July 31, 2022, which was accounted for in accordance with ASC 840, totaled \$18,437,197.

Short-Term Leases

Lease expenses from short-term leases less than 12 months totaled \$174,228 for the year ended July 31, 2023. Short-term lease expense for the year ended July 31, 2022, which was accounted for in accordance with prior guidance, totaled \$153,586.

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.

8 – CONTINGENCIES AND CONCENTRATION OF CREDIT RISK (continued)

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.