

CULTURAL VISTAS, INC.



Financial Statements

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2016 and 2015

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

CULTURAL VISTAS, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Cultural Vistas, Inc.

We have audited the accompanying consolidated financial statements of Cultural Vistas, Inc. ("CV"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cultural Vistas, Inc. as of December 31, 2016 and 2015, 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.

Marks Paneth LLP

New York, NY
May 11, 2017

CULTURAL VISTAS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Notes 2B and 8)	\$ 650,894	\$ 267,678
Accounts receivable (Note 2K)	409,309	422,210
Investments (Notes 2F, 3 and 9)	10,187,362	9,828,043
Prepaid expenses and other assets (Note 2J)	463,151	363,258
Security deposits	264,742	264,742
Property and equipment, net (Notes 2G and 4)	183,715	278,162
TOTAL ASSETS	\$ 12,159,173	\$ 11,424,093
LIABILITIES		
Accounts payable and accrued expenses	\$ 176,435	\$ 160,736
Deposits from participants (Note 2J)	292,048	254,752
Deferred revenue (Note 2L)	879,871	599,190
Deferred rent (Note 2H)	636,235	651,831
Advances from grantors (Note 2E)	1,551,841	1,277,704
TOTAL LIABILITIES	3,536,430	2,944,213
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Notes 2C and 6)		
Unrestricted:		
Operating	7,310,841	7,182,675
Board designated scholarship fund	592,117	639,799
Total unrestricted	7,902,958	7,822,474
Temporarily restricted	97,217	36,804
Permanently restricted	622,568	620,602
TOTAL NET ASSETS	8,622,743	8,479,880
TOTAL LIABILITIES AND NET ASSETS	\$ 12,159,173	\$ 11,424,093

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

CULTURAL VISTAS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015	Unrestricted	Temporarily Restricted	Permanently Restricted
OPERATING SUPPORT AND REVENUE (Note 2D):								
Program administration fees (Note 2J)	\$ 7,885,793	\$ -	\$ -	\$ 7,885,793	\$ 7,807,941	\$ 7,807,941	\$ -	\$ -
Program revenues (Note 2J)	3,767,329	-	-	3,767,329	3,927,073	3,927,073	-	-
Government contracts (Note 2E)	5,136,766	-	-	5,136,766	4,681,903	4,681,903	-	-
Contributions	57,695	20,035	1,966	79,696	54,085	52,226	-	1,859
Contributed services (Note 2I)	75,000	-	-	75,000	22,317	22,317	-	-
Rental income (Note 7B)	153,804	-	-	153,804	106,162	106,162	-	-
Net assets released from restrictions (Note 6)	33,564	(33,564)	-	-	-	38,796	(38,796)	-
TOTAL OPERATING SUPPORT AND REVENUE	<u>17,109,951</u>	<u>(13,529)</u>	<u>1,966</u>	<u>17,098,388</u>	<u>16,599,481</u>	<u>16,636,418</u>	<u>(38,796)</u>	<u>1,859</u>
OPERATING EXPENSES:								
Program Services (Note 1):								
Train USA and WEST Programs	6,588,017	-	-	6,588,017	7,065,173	7,065,173	-	-
International Visitor Leadership Program	2,827,009	-	-	2,827,009	2,712,702	2,712,702	-	-
Edmund S. Muskie Internship Program	666,681	-	-	666,681	585,385	585,385	-	-
Short-term Programs	1,529,135	-	-	1,529,135	979,889	979,889	-	-
Robert Bosch and Alfa Fellowships	1,431,678	-	-	1,431,678	1,505,525	1,505,525	-	-
Congress-Bundestag Youth Exchange	1,075,948	-	-	1,075,948	1,034,751	1,034,751	-	-
Internships Abroad and IAESTE Programs	947,576	-	-	947,576	953,474	953,474	-	-
Total Program Services	<u>15,066,044</u>	<u>-</u>	<u>-</u>	<u>15,066,044</u>	<u>14,836,899</u>	<u>14,836,899</u>	<u>-</u>	<u>-</u>
Supporting Services:								
Management and general	2,266,155	-	-	2,266,155	2,421,357	2,421,357	-	-
Fundraising	260,962	-	-	260,962	201,642	201,642	-	-
Total Supporting Services	<u>2,527,117</u>	<u>-</u>	<u>-</u>	<u>2,527,117</u>	<u>2,622,999</u>	<u>2,622,999</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>17,593,161</u>	<u>-</u>	<u>-</u>	<u>17,593,161</u>	<u>17,459,898</u>	<u>17,459,898</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(483,210)	(13,529)	1,966	(494,773)	(860,417)	(823,480)	(38,796)	1,859
NON-OPERATING REVENUE (Note 2D):								
Investment activity (Notes 3 and 6)	563,694	73,942	-	637,636	46,437	39,603	6,834	-
TOTAL NON-OPERATING REVENUE	<u>563,694</u>	<u>73,942</u>	<u>-</u>	<u>637,636</u>	<u>46,437</u>	<u>39,603</u>	<u>6,834</u>	<u>-</u>
CHANGE IN NET ASSETS	80,484	60,413	1,966	142,863	(813,980)	(783,877)	(31,962)	1,859
Net assets - beginning of year	<u>7,822,474</u>	<u>36,804</u>	<u>620,602</u>	<u>8,479,880</u>	<u>9,293,860</u>	<u>8,606,351</u>	<u>68,766</u>	<u>618,743</u>
NET ASSETS - END OF YEAR	<u>\$ 7,902,958</u>	<u>\$ 97,217</u>	<u>\$ 622,568</u>	<u>\$ 8,622,743</u>	<u>\$ 8,479,880</u>	<u>\$ 7,822,474</u>	<u>\$ 36,804</u>	<u>\$ 620,602</u>

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

CULTURAL VISTAS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

Year Ended December 31, 2016

	Program Services							Supporting Services					Total 2016	Total 2015
	Inbound Programs				Reciprocal and Outbound Programs			Total Program Services	Management and General	Fund Raising	Total Supporting Services			
	Train USA and WEST Programs	International Visitor Leadership Program	Edmund S. Muskie Internship Program	Short- Term Programs	Robert Bosch and Alfa Fellowships	Congress- Bundestag Youth Exchange	Internships Abroad IAESTE and CV Fellows Programs							
Salaries	\$ 2,428,425	\$ 377,365	\$ 149,616	\$ 343,627	\$ 325,783	\$ 293,930	\$ 429,139	\$ 4,347,885	\$ 1,194,492	\$ 163,783	\$ 1,358,275	\$ 5,706,160	\$ 5,498,801	
Payroll taxes and employee benefits (Note 5)	584,701	87,348	35,875	40,297	60,488	71,086	102,480	982,275	259,563	27,709	287,272	1,269,547	1,274,432	
Total Salaries and Related Costs	3,013,126	464,713	185,491	383,924	386,271	365,016	531,619	5,330,160	1,454,055	191,492	1,645,547	6,975,707	6,773,233	
Occupancy (Note 7)	612,602	95,964	34,230	35,184	49,105	66,409	92,175	985,669	239,426	25,008	264,434	1,250,103	1,153,591	
Professional and computer services (Note 2I)	137,120	20,020	9,697	12,767	9,653	23,916	27,454	240,627	91,000	7,809	98,809	339,436	332,635	
Payroll processing and other services	78,672	13,783	5,576	11,724	8,787	8,150	11,633	138,325	35,826	5,372	41,198	179,523	151,048	
Program partner fees (Note 1)	1,503	-	-	56,594	501	-	5,002	63,600	1,503	-	1,503	65,103	65,341	
Donated professional services (Note 2I)	-	-	-	-	-	-	-	-	75,000	-	75,000	75,000	22,317	
Travel and meetings	68,004	7,320	654	14,242	2,166	325	22,545	115,256	84,752	11,120	95,872	211,128	360,515	
Office supplies and other	50,560	12,788	4,804	20,832	3,557	5,382	15,257	113,180	28,932	10,052	38,984	152,164	246,136	
Credit card merchant fees	141,210	116	4	323	39	78	256	142,026	16,950	3	16,953	158,979	184,203	
Insurance	24,632	3,623	1,479	826	2,242	2,958	4,484	40,244	10,495	986	11,481	51,725	48,837	
Equipment rental and repairs	23,097	3,241	1,126	1,230	2,129	2,927	3,991	37,741	9,098	900	9,998	47,739	46,174	
Telecommunications	44,791	7,439	2,826	2,143	3,319	4,562	6,501	71,581	17,156	1,882	19,038	90,619	108,569	
Postage	117,634	2,251	133	855	110	5,530	4,062	130,575	5,841	1,954	7,795	138,370	126,773	
Printing	24,871	4,765	1,536	1,808	1,263	1,785	3,588	39,616	34,471	2,061	36,532	76,148	118,879	
Management fees - investments	-	-	-	-	-	-	3,913	3,913	20,806	-	20,806	24,719	42,046	
Depreciation (Note 4)	56,923	6,970	3,485	1,162	4,647	6,970	9,294	89,451	24,396	2,323	26,719	116,170	154,006	
Miscellaneous moving expenses	-	-	-	-	-	-	-	-	-	-	-	-	52,446	
Subtotal	4,394,745	642,993	251,041	543,614	473,789	494,008	741,774	7,541,964	2,149,707	260,962	2,410,669	9,952,633	9,986,749	
Participant expenses (Note 2J)	2,193,272	2,184,016	415,640	985,521	957,889	581,940	205,802	7,524,080	116,448	-	116,448	7,640,528	7,473,149	
TOTAL EXPENSES	\$ 6,588,017	\$ 2,827,009	\$ 666,681	\$ 1,529,135	\$ 1,431,678	\$ 1,075,948	\$ 947,576	\$ 15,066,044	\$ 2,266,155	\$ 260,962	\$ 2,527,117	\$ 17,593,161	\$ 17,459,898	

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

CULTURAL VISTAS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Year Ended December 31, 2015

	Program Services							Supporting Services				Total 2015
	Inbound Programs				Reciprocal and Outbound Programs			Total Program Services	Management and General	Fund Raising	Total Supporting Services	
	Train USA and WEST Programs	International Visitor Leadership Program	Edmund S. Muskie Internship Program	Short- Term Programs	Robert Bosch and Alfa Fellowships	Congress- Bundestag Youth Exchange	Internships Abroad IAESTE and CV Fellows Programs					
Salaries	\$ 2,426,904	\$ 363,807	\$ 157,658	\$ 196,468	\$ 307,554	\$ 272,159	\$ 409,225	\$ 4,133,775	\$ 1,245,470	\$ 119,556	\$ 1,365,026	\$ 5,498,801
Payroll taxes and employee benefits (Note 5)	621,537	88,599	40,321	18,809	57,091	69,015	97,734	993,106	256,840	24,486	281,326	1,274,432
Total Salaries and Related Costs	3,048,441	452,406	197,979	215,277	364,645	341,174	506,959	5,126,881	1,502,310	144,042	1,646,352	6,773,233
Occupancy (Note 7)	583,306	94,067	26,281	83	48,790	65,512	93,667	911,706	221,874	20,011	241,885	1,153,591
Professional and computer services	142,997	18,827	10,669	2,789	11,862	17,594	44,572	249,310	71,643	11,682	83,325	332,635
Payroll processing and other services	66,655	9,875	3,994	5,137	9,078	8,666	12,167	115,572	32,391	3,085	35,476	151,048
Program partner fees (Note 1)	2,424	-	-	54,069	808	-	5,616	62,917	2,424	-	2,424	65,341
Donated professional services (Note 2I)	-	-	-	-	-	-	-	-	22,317	-	22,317	22,317
Travel and meetings	128,691	11,120	1,891	9,713	4,193	435	31,671	187,714	165,805	6,996	172,801	360,515
Office supplies and other	70,652	13,043	4,327	777	4,814	6,598	16,020	116,231	126,940	2,965	129,905	246,136
Credit card merchant fees	162,224	420	-	691	375	235	424	164,369	19,746	88	19,834	184,203
Insurance	24,907	3,419	1,660	-	1,954	2,930	3,907	38,777	9,084	976	10,060	48,837
Equipment rental and repairs	25,602	3,658	1,449	-	1,391	1,913	2,758	36,771	8,568	835	9,403	46,174
Telecommunications	50,735	13,091	3,100	-	3,483	4,638	8,138	83,185	23,224	2,160	25,384	108,569
Postage	107,211	1,275	220	617	278	4,212	4,788	118,601	6,851	1,321	8,172	126,773
Printing	50,099	5,511	2,575	3,183	2,644	3,976	6,447	74,435	39,843	4,601	44,444	118,879
Management fees - investments	-	-	-	-	-	-	4,201	4,201	37,845	-	37,845	42,046
Depreciation (Note 4)	79,168	11,016	4,223	-	6,177	9,266	12,354	122,204	28,922	2,880	31,802	154,006
Miscellaneous moving expenses	-	-	-	-	-	-	-	-	52,446	-	52,446	52,446
Subtotal	4,543,112	637,728	258,368	292,336	460,492	467,149	753,689	7,412,874	2,372,233	201,642	2,573,875	9,986,749
Participant expenses (Note 2J)	2,522,061	2,074,974	327,017	687,553	1,045,033	567,602	199,785	7,424,025	49,124	-	49,124	7,473,149
TOTAL EXPENSES	\$ 7,065,173	\$ 2,712,702	\$ 585,385	\$ 979,889	\$ 1,505,525	\$ 1,034,751	\$ 953,474	\$ 14,836,899	\$ 2,421,357	\$ 201,642	\$ 2,622,999	\$ 17,459,898

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

CULTURAL VISTAS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 142,863	\$ (813,980)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	116,170	154,006
Contributions restricted for endowment	(1,966)	(1,859)
Realized gain on investments	(273)	(822,224)
Unrealized (gain) loss on investments	(393,801)	991,952
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	12,901	(200,519)
Prepaid expenses and other assets	(99,893)	18,531
Security deposits	-	12,805
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	15,699	(49,246)
Deposits from participants	37,296	(47,369)
Deferred revenue	280,681	(132,246)
Deferred rent	(15,596)	494,654
Advances from grantors	274,137	400,603
Net Cash Provided by Operating Activities	368,218	5,108
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(21,723)	(168,160)
Proceeds from sale of investments	278,320	10,022,382
Purchases of investments	(243,565)	(9,788,371)
Net Cash Provided by Investing Activities	13,032	65,851
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	1,966	1,859
Net Cash Provided by Financing Activities	1,966	1,859
NET INCREASE IN CASH AND CASH EQUIVALENTS	383,216	72,818
Cash and cash equivalents - beginning of year	267,678	194,860
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 650,894	\$ 267,678

CULTURAL VISTAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1963 and incorporated in New York State, Cultural Vistas, Inc. (“CV”) is a nonprofit exchange organization promoting global understanding and collaboration among individuals and institutions. We develop international professional experiences that create more informed, skilled, and engaged citizens. Our programs empower people to drive positive change in themselves, their organizations, and society. CV possesses over 50 years of exchange experience working with more than 100,000 participants from over 130 countries around the world. Roughly 47% of CV’s income is derived from program-related administrative fees; 52% is from individual, corporate and government direct support of specific program-related expenses; the other 1% is from contributions and rental income. CV is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a). In addition, CV supports Cultural Vistas gGmbH, an office located in Berlin which is a separately incorporated entity in Germany, whose mission is the same as CV, and in which CV is the sole corporate member. All significant intercompany balances and transactions have been eliminated during the consolidation.

Programs operated by CV are summarized below:

- CV was authorized by the U.S. Department of State as a **J-1 Exchange Visitor Program Sponsor** for four categories in 2016: Intern, Trainee, Teacher and Korea WEST. Its **Train USA, WEST and Short-term Programs** such as U.S. Embassy study tours provide students and professionals from all over the world the opportunity to enhance their professional skills and gain knowledge of American business practices by interning or training for three weeks to eighteen months at U.S. companies and institutions.
- U.S. State Department public diplomacy initiatives:
 - The **International Visitor Leadership Program (“IVLP”)** is the flagship professional exchange program of the U.S. Department of State, Bureau of Educational and Cultural Affairs. IVLP builds mutual understanding through carefully designed short-term visits to the United States for current and emerging foreign leaders. Each year, IVLP brings more than 4,500 participants to the United States from countries all over the world to meet and confer with their professional counterparts and gain firsthand knowledge about the United States, its people, policies and culture. As one of only eight National Program Agencies, CV works in coordination with the U.S. Department of State to administer, design and implement 300 IVLP programs that directly support U.S. foreign policy goals.
 - The **Congress-Bundestag Youth Exchange for Young Professionals** is a reciprocal scholarship program with a strong focus on cultural exchange. It is designed to give participants an understanding of everyday life, education and professional training in Germany and the United States. In the U.S., the program is funded by the Bureau of Educational and Cultural Affairs of the Department of State. In Germany, it is funded through the Administration of the Bundestag (Parliament) and administered by GIZ: Deutsche Gesellschaft fuer Internationale Zusammenarbeit.
 - The **Edmund S. Muskie Internship Program** is a summer internship program funded by the U.S. Department of State that provides emerging leaders from Eastern Europe, the Caucasus, and Central Asia with the opportunity to gain real-world experience complementing and enriching their graduate studies in the United States. The program includes virtual learning, training sessions on team-building, community service volunteering, policy brief development, and 3-month professional internships with U.S. government agencies, NGOs, and businesses.
 - The **Young Southeast Asian Leaders Initiative (YSEALI)** is to strengthen leadership development and networking in Southeast Asia. YSEALI seeks to build the leadership capabilities of youth in the region, strengthen ties between the United States and Southeast Asia, and nurture an ASEAN community of leaders who work across borders to solve common issues. In 2016, CV administered the YSEALI Oceans workshop in Indonesia which focused on ocean science and sustainable coastal development, and also in the Philippines which focuses on NGO management for young Southeast Asians from all 10 ASEAN member countries effectively collaborate to address environmental challenges facing the region and beyond.

CULTURAL VISTAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- The **Robert Bosch Foundation Fellowship**, funded by the Robert Bosch Stiftung in Stuttgart, Germany, enables young American professionals to participate in an extensive work and study program in Germany. Although a prime goal of this program is the advancement of transatlantic relations, it also contributes to the participants' professional competence and expertise, and broadens their cultural horizons.
- The **Alfa Fellowship Program**, funded by Alfa-Bank in Moscow, is designed to address the problem that there are still too few experts in the U.S. and Europe with direct, meaningful experience in the modern business, government, public policy, and cultural environment of Russia. The program provides an exciting opportunity for young professionals from the U.S., Britain and Germany to live and work in Russia and to enable them to develop a genuine expertise through individualized professional assignments.
- **Internships Abroad** offers an array of personalized and enriching professional internship and training programs for American students and young professionals in Argentina, Chile, France, Germany, Spain, and Switzerland. The programs are tailored to participants' specific skill sets, ambitions, and career aspirations. The program allows participants to see the world, experience new cultures firsthand, and gain the transferable skills that will set them apart in today's global marketplace. In 2016, the **Cultural Vistas Fellowship** also provided 12 full scholarships for 3 month programs in Germany, India and Argentina.
- **International Association for the Exchange of Students for Technical Experience (“IAESTE”)** is a longstanding, reciprocal exchange program dedicated to developing global skills in tomorrow's leaders through career-building internships for international and American students majoring in science and technical fields. The IAESTE network consists of organizations in more than 80 countries and CV is the national agency representing the United States.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. CV's consolidated financial statements have been prepared on the accrual basis of accounting. CV adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. CV considers all highly liquid investments with original maturities of 90 days or less when acquired to be cash equivalents, except for cash and money market funds contained in CV's investment portfolio.
- C. CV maintains its net assets under the following three classes:
 - Unrestricted:

Operating - this represents resources received that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of CV's operations over which the Board of Directors has discretionary control.

Board Designated Scholarship Fund - consists of funds designated by the Board of Directors to be used for scholarships for American participants abroad. In 2016 and 2015, expenditures for scholarships paid from this fund amounted to \$33,564 and \$38,796, respectively. In 2016 and 2015, the Board did not designate any additional funds toward the scholarship fund.

- Temporarily Restricted – resources received with donor stipulations that limit the use of the donated assets or that have time restrictions placed on their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- Permanently Restricted – resources received subject to donor-imposed stipulations that they be maintained intact and invested in perpetuity. Earnings on permanently restricted net assets are temporarily restricted by the donor for scholarships.

CULTURAL VISTAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. CV includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment activity is recognized as a nonoperating activity.
- E. Revenue from government grants and contracts designated for use toward specific activities is recognized in the period when the expenses have been incurred in compliance with the grantor's conditions. Cash received in excess of revenue recognized is recorded as advances from grantors in the accompanying statements of financial position.
- F. Investments are reported at fair value based, when available, on quoted prices in an active market, as described in Note 9. Donated securities are recorded at their fair market value on the date received using an average of the high and low price on the date received. Investment activity is recorded as non-operating revenue or loss in the unrestricted net asset class unless restricted by the donor.
- G. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. CV capitalizes all property and equipment having a cost of \$1,000 or more and a useful life of at least two years. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.
- H. CV leases real property under a New York City operating lease expiring in August 2018. For the years ended December 31, 2016 and 2015, CV recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to \$(38,252) and \$(23,883), respectively. CV also leases real property for its Washington, DC location that expires in September 2025. For the years ended December 31, 2016 and 2015, CV recorded an adjustment to rent expense at this location to reflect its straight-lining policy that amounted to \$22,655 and \$518,537, respectively. Straight-lining of rent expense gives rise to a timing difference that is reflected as deferred rent in the accompanying consolidated statements of financial position.
- I. CV records donated services at their fair value on the date of receipt. Donated services are reported as contributions when the services create or enhance nonfinancial assets would be purchased if they had not been provided by contribution or require specialized skills and are provided by individuals possessing those skills. CV recognized contributed legal services amounting to approximately \$75,000 and \$22,000, as in-kind contributions in the accompanying consolidated statements of activities for the years ended December 31, 2016 and 2015, respectively.
- J. CV recognizes income for program administration fees and program revenues. Program administration fee revenue includes administrative fees paid by individuals, corporations, foundations or government grants for their participation in the programs that CV offers, as described in Note 1, and includes items such as insurance and application fees. Program revenues represent revenues directly related to implementing the exchange program activities that CV offers. Participant expenses include stipends, tuition, insurance, transportation and accommodations paid by CV on behalf of program participants. CV includes insurance premiums and participant programming expenses relating to a subsequent year as prepaid expenses. In addition, CV records monies received from participants for expenses occurring in a subsequent year as a liability. Program administrative fee revenues and expenses are recognized in the calendar year for which they are earned or incurred.
- K. As of December 31, 2016 and 2015, CV determined that no allowance for doubtful accounts for receivables was necessary. Such estimate is based on management's evaluation of the creditworthiness of its donors and grantors, the aged basis of its receivables, as well as current economic conditions and historical information. All receivables are expected to be collected within one year.
- L. CV receives payments from participants before the commencement of programs. Such amounts are reflected as deferred revenue.

CULTURAL VISTAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. Functional expenses which are not specifically attributable to program services or supporting services are allocated based on estimates determined by management.
- N. The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.
- O. Certain amounts in the December 31, 2015 consolidated financial statements have been reclassified to conform to the December 31, 2016 presentation. Such reclassifications did not change the total net assets.

NOTE 3 – INVESTMENTS

Investments consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Certificates of deposits	\$ -	\$ 252,167
Mutual funds	<u>10,187,362</u>	<u>9,575,876</u>
	<u>\$ 10,187,362</u>	<u>\$ 9,828,043</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

Investment activity consists of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 243,562	\$ 216,165
Realized gain on investments	273	822,224
Unrealized gain (loss) on investments	<u>393,801</u>	<u>(991,952)</u>
	<u>\$ 637,636</u>	<u>\$ 46,437</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	Estimated Useful Lives
Furniture and equipment	\$ 819,103	\$ 798,029	3-8 years
Less: Accumulated depreciation	<u>(635,388)</u>	<u>(519,867)</u>	
Net book value	<u>\$ 183,715</u>	<u>\$ 278,162</u>	

Depreciation expense amounted to \$116,170 and \$154,006 for the years ended December 31, 2016 and 2015, respectively. During the years ended December 31, 2016 and 2015, CV wrote off fully depreciated assets amounting to \$649 and \$160,045, respectively.

NOTE 5 – PENSION PLAN

CV has a defined-contribution pension plan pursuant to U.S. Internal Revenue Code Section 401 that covers employees who work more than twenty hours per week after one year of service. CV matches 2% of employees' contributions based on qualifying salaries. Total pension expense for the years ended December 31, 2016 and 2015 amounted to \$60,330 and \$53,621, respectively. It is CV's policy to fund pension costs currently.

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NOTE 6 – NET ASSETS

Temporarily restricted net assets are available for scholarships. Net assets released from restrictions relate to the funding of certain scholarships of participants, to satisfy donor restrictions.

CV adheres to the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated, by the organization.

CV’s Board of Directors has interpreted NYPMIFA as allowing CV to appropriate for expenditure or accumulate so much of an endowment fund as CV determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the unrestricted earnings from the assets in an endowment fund shall be temporarily restricted net assets until appropriated for expenditure by the Board of Directors.

CV’s endowment investment policy is to invest in fixed income and equities based on an asset allocation with the objective of capital appreciation. Annual spending from the endowment fund for scholarships is established by the Board of Directors prior to the beginning of each fiscal year as part of the annual budget process. Unless authorized by the Board of Directors, the appropriations from the endowment fund should not deplete the historical dollar value of the endowment fund.

Changes in temporarily and permanently restricted net assets as well as Board designated net assets are as follows for the year ended December 31, 2016:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Investment activity:			
Interest and dividends	\$ -	\$ 40,910	\$ -
Realized gain on investments	-	10	-
Unrealized gain on investments	-	<u>33,022</u>	-
Total investment activity	-	73,942	-
Contributions	-	20,035	1,966
Expenditures for scholarships (Board appropriations)	<u>(47,682)</u>	<u>(33,564)</u>	-
Total change in endowment net assets	(47,682)	60,413	1,966
Endowment net assets, beginning of year	<u>639,799</u>	<u>36,804</u>	<u>620,602</u>
Endowment net assets, end of year	<u>\$ 592,117</u>	<u>\$ 97,217</u>	<u>\$ 622,568</u>

CULTURAL VISTAS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – NET ASSETS (Continued)

Changes in temporarily and permanently restricted net assets as well as Board designated net assets are as follows for the year ended December 31, 2015:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Investment activity:			
Interest and dividends	\$ -	\$ 34,591	\$ -
Realized gain on investments	-	51,783	-
Unrealized loss on investments	-	<u>(79,540)</u>	-
Total investment activity	-	6,834	-
Contributions	-	-	1,859
Expenditures for scholarships (Board appropriations)	<u>(48,804)</u>	<u>(38,796)</u>	-
Total change in endowment net assets	(48,804)	(31,962)	1,859
Endowment net assets, beginning of year	<u>688,603</u>	<u>68,766</u>	<u>618,743</u>
Endowment net assets, end of year	<u>\$ 639,799</u>	<u>\$ 36,804</u>	<u>\$ 620,602</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. CV has a lease for its New York office expiring August 31, 2018. CV also has a lease for its Washington, DC office expiring September 30, 2025. The lessor (at the Washington DC location) provided CV a construction allowance in the amount of \$198,787 which CV recognized as deferred rent that is amortized as a reduction to occupancy expense over the lease term in accordance with Accounting Standards Codification (“ASC”) 840-20, “Accounting for Leases.” CV also has various equipment operating lease agreements for copiers and printers at its New York and Washington, DC offices.

Future minimum rental commitments for the years ended subsequent to December 31, 2016 are as follows:

	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 1,167,000	\$ 21,000	\$ 1,188,000
2018	1,005,000	10,000	1,015,000
2019	646,000	3,000	649,000
2020	670,000	-	670,000
2021	689,000	-	689,000
Thereafter	<u>2,740,000</u>	<u>-</u>	<u>2,740,000</u>
	<u>\$ 6,917,000</u>	<u>\$ 34,000</u>	<u>\$ 6,951,000</u>

Rent expense amounted to \$1,140,224 and \$979,829 for the years ended December 31, 2016 and 2015, respectively, and is included in occupancy expense in the accompanying consolidated financial statements. Equipment lease expense amounted to approximately \$22,000 for the years ended December 31, 2016 and 2015 and is included in equipment rental and repairs expense in the accompanying consolidated financial statements.

CULTURAL VISTAS, INC.
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NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

B. CV sub-leases a portion of its Washington, DC space expiring September 30, 2025 and received rental income of approximately \$154,000 and \$106,000 for the years ended December 31, 2016 and 2015, respectively. This income is included the accompanying consolidated statements of activities. The approximate future minimum annual rentals to be received under the leases for the years ended after December 31, 2016 are as follows:

2017	\$ 153,000
2018	159,000
2019	166,000
2020	172,000
2021	179,000
Thereafter	<u>1,498,000</u>
	<u>\$ 2,327,000</u>

C. CV believes it has no uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 8 – CONCENTRATION

Cash and cash equivalents that potentially subject CV to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately \$453,000 and \$153,000 as of December 31, 2016 and 2015, respectively. Cash accounts with participating banks are insured up to \$250,000 per depositor.

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

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NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Equities:

Equities are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds:

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by CV are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by CV are deemed to be actively traded.

Certificates of Deposit:

Certificates of deposit (“CD’s”) are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. There is little difference between such calculation and cost basis.

Financial assets carried at fair value at December 31, 2016 are classified in the table below as follows:

	Level 1	2016 Total
ASSETS CARRIED AT FAIR VALUE		
Investments:		
Mutual Funds:		
Domestic Stock	\$ 3,411,297	\$ 3,411,297
International Stock	2,117,979	2,117,979
Conservative Allocation	76,311	76,311
Fixed Income	4,581,775	4,581,775
Total Mutual Funds	10,187,362	10,187,362
 TOTAL ASSETS AT FAIR VALUE	 \$ 10,187,362	 \$ 10,187,362

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NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2015 are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2015 Total</u>
ASSETS CARRIED AT FAIR VALUE			
Cash Equivalents:			
Certificates of Deposit	\$ -	\$ 252,167	\$ 252,167
	<u>-</u>	<u>252,167</u>	<u>252,167</u>
Investments:			
Mutual Funds:			
Domestic Stock	3,028,118	-	3,028,118
International Stock	2,023,420	-	2,023,420
Conservative Allocation	72,965	-	72,965
Fixed Income	<u>4,451,373</u>	<u>-</u>	<u>4,451,373</u>
Total Mutual Funds	<u>9,575,876</u>	<u>-</u>	<u>9,575,876</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 9,575,876</u>	<u>\$ 252,167</u>	<u>\$ 9,828,043</u>

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 11, 2017, the date the consolidated financial statements were available to be issued.