

CULTURAL VISTAS, INC.



(Together with Independent Auditors' Report)

Years Ended December 31, 2013 and 2012

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

CULTURAL VISTAS, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Cultural Vistas, Inc.

We have audited the accompanying financial statements of Cultural Vistas, Inc. ("CV"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 financial statements referred to above present fairly, in all material respects, the financial position of Cultural Vistas, Inc. as of December 31, 2013 and 2012, 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
April 29, 2014



CULTURAL VISTAS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents (Notes 2B and 8)	\$ 226,283	\$ 1,894,424
Accounts receivable (Note 2K)	85,021	52,722
Prepaid expenses and other assets (Note 2J)	133,573	61,441
Investments (Notes 2F, 3 and 9)	10,070,729	7,438,437
Security deposits	130,309	126,845
Property and equipment, net (Notes 2G and 4)	266,546	132,851
TOTAL ASSETS	\$ 10,912,461	\$ 9,706,720
LIABILITIES		
Accounts payable and accrued expenses	\$ 121,113	\$ 145,579
Deposits from participants (Note 2J)	228,503	189,789
Deferred revenue (Note 2L)	720,656	752,030
Deferred rent (Note 2H)	167,075	163,362
Advances from grantors (Note 2E)	821,195	1,010,085
TOTAL LIABILITIES	2,058,542	2,260,845
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Notes 2C and 6)		
Unrestricted:		
Operating	7,434,002	6,147,876
Board designated scholarship fund	732,415	585,565
Total unrestricted	8,166,417	6,733,441
Temporarily restricted	70,116	95,172
Permanently restricted	617,386	617,262
TOTAL NET ASSETS	8,853,919	7,445,875
TOTAL LIABILITIES AND NET ASSETS	\$ 10,912,461	\$ 9,706,720

CULTURAL VISTAS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
OPERATING SUPPORT AND REVENUE (NOTE 2D):								
Program administration fees (Note 2J)	\$ 8,058,041	\$ -	\$ -	\$ 8,058,041	\$ 7,004,687	\$ -	\$ -	\$ 7,004,687
Program revenues (Note 2J)	3,929,740	-	-	3,929,740	3,347,684	-	-	3,347,684
Government contracts (Note 2E)	3,231,705	-	-	3,231,705	3,582,128	-	-	3,582,128
Contributions	27,692	-	124	27,816	29,663	-	2,860	32,523
Net assets released from restrictions (Note 6)	88,350	(88,350)	-	-	39,675	(39,675)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	15,335,528	(88,350)	124	15,247,302	14,003,837	(39,675)	2,860	13,967,022
OPERATING EXPENSES:								
Program Services (Note 1):								
Train USA and WEST Programs	6,491,759	-	-	6,491,759	5,301,625	-	-	5,301,625
International Visitor Leadership Program	2,126,938	-	-	2,126,938	2,399,571	-	-	2,399,571
Short-term Programs	549,383	-	-	549,383	562,368	-	-	562,368
Robert Bosch and Alfa Fellowships	1,461,789	-	-	1,461,789	1,375,330	-	-	1,375,330
Congress-Bundestag Youth Exchange	1,032,909	-	-	1,032,909	1,088,727	-	-	1,088,727
American Youth Leadership Programs	230,074	-	-	230,074	298,511	-	-	298,511
Internships Abroad and IAESTE Programs	1,028,822	-	-	1,028,822	761,420	-	-	761,420
Total Program Services	12,921,674	-	-	12,921,674	11,787,552	-	-	11,787,552
Supporting Services:								
Management and general	1,811,404	-	-	1,811,404	1,686,365	-	-	1,686,365
Fundraising	69,241	-	-	69,241	13,815	-	-	13,815
Total Supporting Services	1,880,645	-	-	1,880,645	1,700,180	-	-	1,700,180
TOTAL OPERATING EXPENSES	14,802,319	-	-	14,802,319	13,487,732	-	-	13,487,732
CHANGE IN NET ASSETS FROM OPERATIONS	533,209	(88,350)	124	444,983	516,105	(39,675)	2,860	479,290
NON-OPERATING REVENUE (NOTE 2D):								
Investment activity (Notes 3 and 6)	899,767	63,294	-	963,061	441,080	39,869	-	480,949
TOTAL NON-OPERATING REVENUE	899,767	63,294	-	963,061	441,080	39,869	-	480,949
CHANGE IN NET ASSETS	1,432,976	(25,056)	124	1,408,044	957,185	194	2,860	960,239
Net assets - beginning of year	6,733,441	95,172	617,262	7,445,875	5,776,256	94,978	614,402	6,485,636
NET ASSETS - END OF YEAR	\$ 8,166,417	\$ 70,116	\$ 617,386	\$ 8,853,919	\$ 6,733,441	\$ 95,172	\$ 617,262	\$ 7,445,875

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

CULTURAL VISTAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2012)

	Year Ended December 31, 2013												
	Program Services								Supporting Services				
	Inbound Programs			Reciprocal and Outbound Programs									
	Train USA and WEST Programs	International Visitor Leadership Program	Short- Term Programs	Robert Bosch and Alfa Fellowships	Congress- Bundestag Youth Exchange	American Youth Leadership Programs	Internships Abroad and IAESTE Programs	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total 2013	Total 2012
Salaries	\$ 1,993,738	\$ 393,731	\$ 109,366	\$ 256,076	\$ 262,048	\$ 58,306	\$ 363,397	\$ 3,436,662	\$ 938,522	\$ 45,687	\$ 984,209	\$ 4,420,871	\$ 3,991,027
Payroll taxes and employee benefits (Note 5)	487,213	89,963	22,034	57,290	58,545	11,107	98,232	824,384	200,223	9,740	209,963	1,034,347	842,026
Total Salaries and Related Costs	2,480,951	483,694	131,400	313,366	320,593	69,413	461,629	4,261,046	1,138,745	55,427	1,194,172	5,455,218	4,833,053
Occupancy (Note 7)	358,785	73,175	9,780	57,886	74,275	4,881	99,560	678,342	118,405	5,217	123,622	801,964	750,425
Professional services	370,074	50,301	63,281	45,544	44,893	37,638	158,291	770,022	230,567	5,571	236,138	1,006,160	959,615
Travel and meetings	162,628	10,952	7,242	1,690.00	1,726	292	35,025	219,555	105,758	335	106,093	325,648	314,171
Office supplies and other	72,418	9,237	2,590	4,404	6,062	1,222	12,281	108,214	67,902	594	68,496	176,710	132,721
Credit card merchant fees	209,417	1,229	355	807	842	343	1,605	214,598	2,704	128	2,832	217,430	185,932
Insurance	30,874	4,285	955	2,788	2,789	477	5,114	47,282	1,616	90	1,706	48,988	48,067
Equipment rental and repairs	23,835	2,991	1,317	1,577	2,043	645	2,843	35,251	6,219	160	6,379	41,630	28,617
Telecommunications	41,194	21,254	1,763	3,991	4,843	1,141	6,926	81,112	17,233	391	17,624	98,736	88,511
Postage	118,241	1,161	1,006	185	5,605	9	5,893	132,100	5,495	25	5,520	137,620	126,391
Printing	47,294	13,411	1,330	2,812	3,971	417	9,134	78,369	18,342	474	18,816	97,185	82,775
Management fees - investments	-	-	-	-	-	-	-	-	86,131	10	86,141	86,141	28,890
Depreciation (Note 4)	40,133	7,371	1,638	4,914	4,914	819	9,010	68,799	12,287	819	13,106	81,905	44,440
Subtotal	3,955,844	679,061	222,657	439,964	472,556	117,297	807,311	6,694,690	1,811,404	69,241	1,880,645	8,575,335	7,623,608
Participant expenses (Note 2J)	2,535,915	1,447,877	326,726	1,021,825	560,353	112,777	221,511	6,226,984	-	-	-	6,226,984	5,864,124
TOTAL EXPENSES	\$ 6,491,759	\$ 2,126,938	\$ 549,383	\$ 1,461,789	\$ 1,032,909	\$ 230,074	\$ 1,028,822	\$ 12,921,674	\$ 1,811,404	\$ 69,241	\$ 1,880,645	\$ 14,802,319	\$ 13,487,732

CULTURAL VISTAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services							Supporting Services				
	Inbound Programs			Reciprocal and Outbound Programs				Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total 2012
	Train USA and WEST Programs	International Visitor Leadership Program	Short- Term Programs	Robert Bosch and Alfa Fellowships	Congress- Bundestag Youth Exchange	American Youth Programs in China and Japan	Internships Abroad and IAESTE Programs					
Salaries	\$ 1,770,725	\$ 365,516	\$ 149,397	\$ 224,646	\$ 257,353	\$ 46,755	\$ 267,919	\$ 3,082,311	\$ 900,437	\$ 8,279	\$ 908,716	\$ 3,991,027
Payroll taxes and employee benefits (Note 5)	327,687	72,519	17,874	40,872	50,595	7,300	57,876	574,723	266,974	329	267,303	842,026
Total Salaries and Related Costs	2,098,412	438,035	167,271	265,518	307,948	54,055	325,795	3,657,034	1,167,411	8,608	1,176,019	4,833,053
Occupancy (Note 7)	299,995	72,720	11,386	71,556	88,074	6,272	94,838	644,841	105,581	3	105,584	750,425
Professional services	412,965	72,725	20,257	40,706	71,386	49,502	85,741	753,282	201,324	5,009	206,333	959,615
Travel and meetings	161,537	13,097	9,919	1,553	2,168	1,697	30,276	220,247	93,904	20	93,924	314,171
Office supplies and other	56,786	14,544	3,482	4,939	7,025	1,923	11,163	99,862	32,806	53	32,859	132,721
Credit card merchant fees	178,446	1,282	326	727	1,083	155	1,289	183,308	2,624	-	2,624	185,932
Insurance	25,663	4,050	751	2,154	2,872	375	5,935	41,800	6,267	-	6,267	48,067
Equipment rental and repairs	15,484	1,346	1,503	1,332	1,640	840	2,011	24,156	4,461	-	4,461	28,617
Telecommunications	35,219	17,869	2,271	4,071	4,843	1,211	5,875	71,359	17,145	7	17,152	88,511
Postage	107,270	1,088	1,702	190	5,706	73	5,055	121,084	5,197	110	5,307	126,391
Printing	45,506	9,154	1,640	2,122	3,470	1,096	6,291	69,279	13,491	5	13,496	82,775
Management fees - investments	-	-	-	-	-	-	-	-	28,890	-	28,890	28,890
Depreciation (Note 4)	20,872	4,885	888	2,664	3,553	444	3,997	37,303	7,137	-	7,137	44,440
Subtotal	3,458,155	650,795	221,396	397,532	499,768	117,643	578,266	5,923,555	1,686,238	13,815	1,700,053	7,623,608
Participant expenses (Note 2J)	1,843,470	1,748,776	340,972	977,798	588,959	180,868	183,154	5,863,997	127	-	127	5,864,124
TOTAL EXPENSES	\$ 5,301,625	\$ 2,399,571	\$ 562,368	\$ 1,375,330	\$ 1,088,727	\$ 298,511	\$ 761,420	\$ 11,787,552	\$ 1,686,365	\$ 13,815	\$ 1,700,180	\$ 13,487,732

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

CULTURAL VISTAS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,408,044	\$ 960,239
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	81,905	44,440
Contributions restricted for endowment	(124)	(2,860)
Realized gain on investments	(145,410)	(156,187)
Unrealized gain on investments	(619,069)	(200,604)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(32,299)	25,811
Prepaid expenses and other assets	(72,132)	53,804
Security deposits	(3,464)	(500)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(24,466)	41,602
Deposits from participants	38,714	(9,390)
Deferred revenue	(31,374)	30,064
Deferred rent	3,713	16,958
Advances from grantors	(188,890)	516,044
Net Cash Provided by Operating Activities	<u>415,148</u>	<u>1,319,421</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(215,600)	(50,462)
Proceeds from sale of investments	5,602,139	6,844,463
Purchases of investments	(7,469,952)	(7,873,932)
Net Cash Used in Investing Activities	<u>(2,083,413)</u>	<u>(1,079,931)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	124	2,860
Net Cash Provided by Financing Activities	<u>124</u>	<u>2,860</u>
NET (DECREASE) INCREASE IN CASH	(1,668,141)	242,350
Cash and cash equivalents - beginning of year	<u>1,894,424</u>	<u>1,652,074</u>
CASH - END OF YEAR	<u>\$ 226,283</u>	<u>\$ 1,894,424</u>

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

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Cultural Vistas, Inc. (“CV”) provides international exchange opportunities that strengthen global networks, enhance professional skills, and advance mutual understanding in an interconnected world. The organization possesses 55 years of exchange experience working with more than 100,000 participants from over 135 countries around the world. Roughly 60% of Cultural Vistas’ income is derived from program-related administrative fees; the other 40% is from individual, corporate and government direct support of specific program-related expenses. 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). 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 2013: Intern, Trainee, Teacher and Korea WEST. Its **Train USA, WEST and Short-term Programs** such as Global Career Launch and 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 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 **American Youth Leadership Programs (“AYLP”)** are virtual and international exchanges sponsored by grants from the U.S. Department of State, Bureau of Educational and Cultural Affairs. The goal of the three AYLP grants administered by CV (to Japan in 2011-2012 and Malaysia/Singapore in 2012-2013 and 2013-2014) is to develop a corps of individuals, both high school students and educators, who are exposed to the people, culture and issues of ecology and sustainability in these countries; and trained to pass on their knowledge to others in their schools and communities.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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. 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. 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 2013, the Cultural Vistas Fellowship was launched, providing up to 12 full scholarships for 3 month programs in Berlin, Singapore and Buenos Aires.
- **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 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 2013, the Board designated 33% of the total change in net assets from operations in 2013 towards the scholarships. In 2012, the Board designated 25% of the total change in net assets from operations towards the scholarships.
 - **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 statement 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.
- 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.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 an operating lease expiring in August 2018. For the years ended December 31, 2013 and 2012, CV recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to \$3,713 and \$16,958, respectively. Straight-lining of rent expense gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.
- I. CV records donated items at their fair value on the date of receipt. No amounts have been reflected in the accompanying financial statements for donated services or goods since they do not meet the criteria for recognition.
- J. CV recognizes income for program administration fees and program revenues. Program administration fee revenue includes administrative fees paid by individuals, corporations, foundation 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, 2013 and 2012, 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.
- 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 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 financial statements. Actual results could differ from those estimates.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 – INVESTMENTS

Investments consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 1,936,782	\$ 802,937
Equities	4,784,083	3,631,391
Mutual funds	587,205	505,781
Mortgage/ Asset Backed Securities	762,004	555,461
Bonds	<u>2,000,655</u>	<u>1,942,867</u>
	<u>\$ 10,070,729</u>	<u>\$ 7,438,437</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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 198,582	\$ 124,158
Realized gain on investments	145,410	156,187
Unrealized gain on investments	<u>619,069</u>	<u>200,604</u>
	<u>\$ 963,061</u>	<u>\$ 480,949</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 684,508	\$ 525,213	3-8 years
Less: Accumulated depreciation	<u>(417,962)</u>	<u>(392,362)</u>	
Net book value	<u>\$ 266,546</u>	<u>\$ 132,851</u>	

Depreciation expense amounted to \$81,905 and \$44,440 for the years ended December 31, 2013 and 2012, respectively. During the years ended December 31, 2013 and 2012, CV wrote off fully depreciated assets amounting to \$56,305 and \$604,303, 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 expenses for the years ended December 31, 2013 and 2012 amounted to \$48,525 and \$40,659, respectively. It is CV's policy to fund pension costs currently.

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's Board of Directors has interpreted state law 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 assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors.

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NOTE 6 – NET ASSETS (Continued)

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 endowment net assets for the year ended December 31, 2013 are as follows:

	Unrestricted Board <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Investment activity:			
Interest and dividends	\$ -	\$ 25,959	\$ -
Realized gain on investments	-	3,039	-
Unrealized gain on investments	-	<u>34,296</u>	-
Total investment activity	-	63,294	-
Contributions	-	-	124
Transfers from unrestricted operating net assets	146,850	-	-
Expenditures for scholarships	-	<u>(88,350)</u>	-
Total change in endowment net assets	146,850	(25,056)	124
Endowment net assets, beginning of year	<u>585,565</u>	<u>95,172</u>	<u>617,262</u>
Endowment net assets, end of year	<u>\$ 732,415</u>	<u>\$ 70,116</u>	<u>\$ 617,386</u>

Changes in endowment net assets for the year ended December 31, 2012 are as follows:

	Unrestricted Board <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Investment activity:			
Interest and dividends	\$ -	\$ 22,123	\$ -
Realized gain on investments	-	3,055	-
Unrealized gain on investments	-	<u>14,691</u>	-
Total investment activity	-	39,869	-
Contributions	-	-	2,860
Transfers from unrestricted operating net assets	120,565	-	-
Expenditures for scholarships	-	<u>(39,675)</u>	-
Total change in endowment net assets	120,565	194	2,860
Endowment net assets, beginning of year	<u>465,000</u>	<u>94,978</u>	<u>614,402</u>
Endowment net assets, end of year	<u>\$ 585,565</u>	<u>\$ 95,172</u>	<u>\$ 617,262</u>

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NOTE 7 – COMMITMENTS AND CONTINGENCIES

- A. CV leases space in New York City with the agreement expiring in 2018. CV subleases space in Washington, DC with the agreement expiring in 2015 and also leases space in Maryland with the agreement expiring in 2014.

Future minimum rental commitments for the years ended subsequent to December 31, 2013 are as follows:

2014	\$ 770,000
2015	554,000
2016	549,000
2017	563,000
2018	<u>374,000</u>
	<u>\$ 2,810,000</u>

Rent expense amounted to \$770,075 and \$716,877 for the years ended December 31, 2013 and 2012, respectively, and is included in occupancy expense in the accompanying financial statements.

- B. CV 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. CV is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before 2010.

NOTE 8 – CONCENTRATIONS

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 \$216,000 and \$0 as of December 31, 2013 and 2012, respectively. Such excess includes outstanding checks. Interest-bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, non interest-bearing accounts were fully insured. Beginning in 2013, non interest-bearing accounts are insured the same as interest bearing accounts.

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.

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NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

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, 2013 and 2012.

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.

Mortgage-backed Securities:

Mortgage-backed securities are measured using pricing data obtained from external pricing services and prices observed for recently executed market transactions and are categorized within Level 2 or Level 3.

U.S. Government Bonds:

U.S. government securities are valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate Bonds:

Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

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NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2013 are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2013 Total</u>
ASSETS CARRIED AT FAIR VALUE			
Cash Equivalents:			
Money Market Funds	\$ 1,936,782	\$ -	\$ 1,936,782
	<u>1,936,782</u>	<u>-</u>	<u>1,936,782</u>
Investments:			
Equities:			
Consumer Staples	818,276	-	818,276
Information Technology	661,614	-	661,614
Health Care	751,253	-	751,253
Financials	681,846	-	681,846
Industrials	484,463	-	484,463
Energy	351,431	-	351,431
Consumer Discretionary	513,125	-	513,125
Materials	198,600	-	198,600
Telecommunications	215,995	-	215,995
Utilities	<u>107,480</u>	<u>-</u>	<u>107,480</u>
Total Equities	<u>4,784,083</u>	<u>-</u>	<u>4,784,083</u>
Mutual Funds:			
Fixed Income	<u>587,205</u>	<u>-</u>	<u>587,205</u>
Mortgage/ Asset Backed Securities			
	<u>-</u>	<u>762,004</u>	<u>762,004</u>
Bonds:			
Government	-	1,214,557	1,214,557
Corporate	-	705,020	705,020
Other	<u>-</u>	<u>81,078</u>	<u>81,078</u>
Total Bonds	<u>-</u>	<u>2,000,655</u>	<u>2,000,655</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 7,308,070</u>	<u>\$ 2,762,659</u>	<u>\$ 10,070,729</u>

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NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2012 are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2012 Total</u>
ASSETS CARRIED AT FAIR VALUE			
Cash Equivalents:			
Money Market Funds	\$ 802,937	\$ -	\$ 802,937
	<u>802,937</u>	<u>-</u>	<u>802,937</u>
Investments:			
Equities:			
Consumer Staples	790,829	-	790,829
Information Technology	543,666	-	543,666
Health Care	467,187	-	467,187
Financials	437,402	-	437,402
Industrials	410,215	-	410,215
Energy	295,935	-	295,935
Consumer Discretionary	278,584	-	278,584
Materials	169,373	-	169,373
Telecommunications	148,219	-	148,219
Utilities	<u>89,981</u>	<u>-</u>	<u>89,981</u>
Total Equities	<u>3,631,391</u>	<u>-</u>	<u>3,631,391</u>
Mutual Funds:			
Fixed Income	<u>505,781</u>	<u>-</u>	<u>505,781</u>
Mortgage/ Asset Backed Securities			
	<u>-</u>	<u>555,461</u>	<u>555,461</u>
Bonds:			
Government	-	1,245,315	1,245,315
Corporate	-	645,803	645,803
Other	<u>-</u>	<u>51,749</u>	<u>51,749</u>
Total Bonds	<u>-</u>	<u>1,942,867</u>	<u>1,942,867</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 4,940,109</u>	<u>\$ 2,498,328</u>	<u>\$ 7,438,437</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 April 29, 2014, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through April 29, 2014 that would require adjustment to or disclosure in the financial statements.