

CULTURAL VISTAS, INC.



Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2014 and 2013

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, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 24, 2015



CULTURAL VISTAS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents (Notes 2B and 8)	\$ 194,860	\$ 226,283
Accounts receivable (Note 2K)	102,521	85,021
Prepaid expenses and other assets (Note 2J)	381,789	133,573
Investments (Notes 2F, 3 and 9)	10,231,782	10,070,729
Security deposits	277,547	130,309
Property and equipment, net (Notes 2G and 4)	264,008	266,546
TOTAL ASSETS	\$ 11,452,507	\$ 10,912,461
LIABILITIES		
Accounts payable and accrued expenses	\$ 209,982	\$ 121,113
Deposits from participants (Note 2J)	302,121	228,503
Deferred revenue (Note 2L)	731,436	720,656
Deferred rent (Note 2H)	157,177	167,075
Advances from grantors (Note 2E)	757,931	821,195
TOTAL LIABILITIES	2,158,647	2,058,542
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Notes 2C and 6)		
Unrestricted:		
Operating	7,917,748	7,434,002
Board designated scholarship fund	688,603	732,415
Total unrestricted	8,606,351	8,166,417
Temporarily restricted	68,766	70,116
Permanently restricted	618,743	617,386
TOTAL NET ASSETS	9,293,860	8,853,919
TOTAL LIABILITIES AND NET ASSETS	\$ 11,452,507	\$ 10,912,461

CULTURAL VISTAS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
OPERATING SUPPORT AND REVENUE (Note 2D):								
Program administration fees (Note 2J)	\$ 7,729,853	\$ -	\$ -	\$ 7,729,853	\$ 8,058,041	\$ -	\$ -	\$ 8,058,041
Program revenues (Note 2J)	3,868,987	-	-	3,868,987	3,929,740	-	-	3,929,740
Government contracts (Note 2E)	4,140,239	-	-	4,140,239	3,231,705	-	-	3,231,705
Contributions	30,454	-	1,357	31,811	27,692	-	124	27,816
Net assets released from restrictions (Note 6)	49,272	(49,272)	-	-	88,350	(88,350)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	15,818,805	(49,272)	1,357	15,770,890	15,335,528	(88,350)	124	15,247,302
OPERATING EXPENSES:								
Program Services (Note 1):								
Train USA and WEST Programs	6,349,233	-	-	6,349,233	6,491,759	-	-	6,491,759
International Visitor Leadership Program	2,858,037	-	-	2,858,037	2,126,938	-	-	2,126,938
Edmund S. Muskie Internship Program	7,926	-	-	7,926	-	-	-	-
Short-term Programs	843,270	-	-	843,270	549,383	-	-	549,383
Robert Bosch and Alfa Fellowships	1,423,309	-	-	1,423,309	1,461,789	-	-	1,461,789
Congress-Bundestag Youth Exchange	992,372	-	-	992,372	1,032,909	-	-	1,032,909
American Youth Leadership Programs	226,376	-	-	226,376	230,074	-	-	230,074
Internships Abroad and IAESTE Programs	1,079,658	-	-	1,079,658	1,028,822	-	-	1,028,822
Total Program Services	13,780,181	-	-	13,780,181	12,921,674	-	-	12,921,674
Supporting Services:								
Management and general	2,005,604	-	-	2,005,604	1,811,404	-	-	1,811,404
Fundraising	61,262	-	-	61,262	69,241	-	-	69,241
Total Supporting Services	2,066,866	-	-	2,066,866	1,880,645	-	-	1,880,645
TOTAL OPERATING EXPENSES	15,847,047	-	-	15,847,047	14,802,319	-	-	14,802,319
CHANGE IN NET ASSETS FROM OPERATIONS	(28,242)	(49,272)	1,357	(76,157)	533,209	(88,350)	124	444,983
NON-OPERATING REVENUE (Note 2D):								
Investment activity (Notes 3 and 6)	468,176	47,922	-	516,098	899,767	63,294	-	963,061
TOTAL NON-OPERATING REVENUE	468,176	47,922	-	516,098	899,767	63,294	-	963,061
CHANGE IN NET ASSETS	439,934	(1,350)	1,357	439,941	1,432,976	(25,056)	124	1,408,044
Net assets - beginning of year	8,166,417	70,116	617,386	8,853,919	6,733,441	95,172	617,262	7,445,875
NET ASSETS - END OF YEAR	\$ 8,606,351	\$ 68,766	\$ 618,743	\$ 9,293,860	\$ 8,166,417	\$ 70,116	\$ 617,386	\$ 8,853,919

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

CULTURAL VISTAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

	Year Ended December 31, 2014															
	Program Services										Supporting Services					
	Inbound Programs				Reciprocal and Outbound Programs								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	American Youth Leadership Programs	Internships Abroad IAESTE and CV Fellows Programs	Total Program Services		Management and General	Fund Raising		Total 2014	Total 2013	
Salaries	\$ 2,194,444	\$ 390,600	\$ 7,229	\$ 178,132	\$ 256,287	\$ 251,738	\$ 44,967	\$ 409,446	\$ 3,732,843	\$ 1,082,835	\$ 39,429	\$ 1,122,264	\$ 4,855,107	\$ 4,420,871		
Payroll taxes and employee benefits (Note 5)	545,244	89,084	382	22,209	48,541	62,270	10,617	105,479	883,826	223,439	9,398	232,837	1,116,663	1,034,347		
Total Salaries and Related Costs	2,739,688	479,684	7,611	200,341	304,828	314,008	55,584	514,925	4,616,669	1,306,274	48,827	1,355,101	5,971,770	5,455,218		
Occupancy (Note 7)	356,675	71,072	-	11,150	45,376	62,393	5,478	86,626	638,770	166,353	5,672	172,025	810,795	801,964		
Professional services	231,765	23,843	152	37,038	16,132	24,820	28,562	140,931	503,243	159,904	2,744	162,648	665,891	1,006,160		
Travel and meetings	171,173	22,772	13	4,698	1,793	346	2,045	33,032	235,872	157,552	345	157,897	393,769	325,648		
Office supplies and other	57,171	12,981	150	3,859	3,665	6,115	1,104	13,387	98,432	37,113	630	37,743	136,175	176,710		
Credit card merchant fees	172,478	329	-	170	138	277	636	555	174,583	11,284	24	11,308	185,891	217,430		
Insurance	21,716	3,406	-	426	1,703	2,555	426	4,258	34,490	7,664	426	8,090	42,580	48,988		
Equipment rental and repairs	24,999	1,102	-	834	2,009	2,762	167	3,961	35,834	11,991	251	12,242	48,076	41,630		
Telecommunications	42,791	19,534	-	980	3,113	4,945	889	7,794	80,046	20,921	642	21,563	101,609	98,736		
Postage	110,068	2,529	-	537	179	4,763	49	6,994	125,119	10,175	11	10,186	135,305	137,620		
Printing	36,531	4,104	-	1,284	1,889	2,794	409	10,014	57,025	38,602	435	39,037	96,062	97,185		
Management fees - investments	-	-	-	-	-	-	-	-	-	55,172	-	55,172	55,172	86,141		
Depreciation (Note 4)	64,029	10,044	-	1,255	5,022	7,533	1,255	12,555	101,693	22,599	1,255	23,854	125,547	81,905		
Subtotal	4,029,084	651,400	7,926	262,572	385,847	433,311	96,604	835,032	6,701,776	2,005,604	61,262	2,066,866	8,768,642	8,575,335		
Participant expenses (Note 2J)	2,320,149	2,206,637	-	580,698	1,037,462	559,061	129,772	244,626	7,078,405	-	-	-	7,078,405	6,226,984		
TOTAL EXPENSES	\$ 6,349,233	\$ 2,858,037	\$ 7,926	\$ 843,270	\$ 1,423,309	\$ 992,372	\$ 226,376	\$ 1,079,658	\$ 13,780,181	\$ 2,005,604	\$ 61,262	\$ 2,066,866	\$ 15,847,047	\$ 14,802,319		

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

	Program Services							Supporting Services				
	Inbound Programs			Reciprocal and Outbound Programs				Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total 2013
	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	\$ 1,993,738	\$ 393,731	\$ 109,366	\$ 256,076	\$ 262,048	\$ 58,306	\$ 363,397	\$ 3,436,662	\$ 938,522	\$ 45,687	\$ 984,209	\$ 4,420,871
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
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
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
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
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
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
Credit card merchant fees	209,417	1,229	355	807	842	343	1,605	214,598	2,704	128	2,832	217,430
Insurance	30,874	4,285	955	2,788	2,789	477	5,114	47,282	1,616	90	1,706	48,988
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
Telecommunications	41,194	21,254	1,763	3,991	4,843	1,141	6,926	81,112	17,233	391	17,624	98,736
Postage	118,241	1,161	1,006	185	5,605	9	5,893	132,100	5,495	25	5,520	137,620
Printing	47,294	13,411	1,330	2,812	3,971	417	9,134	78,369	18,342	474	18,816	97,185
Management fees - investments	-	-	-	-	-	-	-	-	86,131	10	86,141	86,141
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
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
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
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

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

CULTURAL VISTAS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 439,941	\$ 1,408,044
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	125,547	81,905
Contributions restricted for endowment	(1,357)	(124)
Realized gain on investments	(294,232)	(145,410)
Unrealized loss (gain) on investments	6,032	(619,069)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(17,500)	(32,299)
Prepaid expenses and other assets	(248,216)	(72,132)
Security deposits	(147,238)	(3,464)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	88,869	(24,466)
Deposits from participants	73,618	38,714
Deferred revenue	10,780	(31,374)
Deferred rent	(9,898)	3,713
Advances from grantors	<u>(63,264)</u>	<u>(188,890)</u>
Net Cash (Used) Provided by Operating Activities	<u>(36,918)</u>	<u>415,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(123,009)	(215,600)
Proceeds from sale of investments	5,938,953	5,602,139
Purchases of investments	<u>(5,811,806)</u>	<u>(7,469,952)</u>
Net Cash Provided (Used) by Investing Activities	<u>4,138</u>	<u>(2,083,413)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	<u>1,357</u>	<u>124</u>
Net Cash Provided by Financing Activities	<u>1,357</u>	<u>124</u>
NET DECREASE IN CASH	(31,423)	(1,668,141)
Cash and cash equivalents - beginning of year	<u>226,283</u>	<u>1,894,424</u>
CASH - END OF YEAR	<u>\$ 194,860</u>	<u>\$ 226,283</u>

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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 55% of Cultural Vistas’ income is derived from program-related administrative fees; the other 45% 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). Significant 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 2014: 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.
- 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.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **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 2014, the Cultural Vistas Fellowship also provided 10 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 2014, expenditures for scholarships paid from this fund amounted to \$43,812. In 2013, the Board designated 33% of the total change in net assets from operations in 2013 towards the scholarships. There was no such designation by the Board in 2014.
 - 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.
- 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.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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, 2014 and 2013, CV recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to \$(9,898) and \$3,713, 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, 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, 2014 and 2013, 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.

NOTE 3 – INVESTMENTS

Investments consist of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,885,340	\$ 1,936,782
Equities	4,864,086	4,784,083
Mutual funds	1,036,341	587,205
Mortgage/ Asset Backed Securities	368,635	762,004
Bonds	<u>2,077,380</u>	<u>2,000,655</u>
	<u>\$ 10,231,782</u>	<u>\$ 10,070,729</u>

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

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 – INVESTMENTS (Continued)

Investment activity consists of the following for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 227,898	\$ 198,582
Realized gain on investments	294,232	145,410
Unrealized (loss) gain on investments	<u>(6,032)</u>	<u>619,069</u>
	<u>\$ 516,098</u>	<u>\$ 963,061</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 789,914	\$ 684,508	3-8 years
Less: Accumulated depreciation	<u>(525,906)</u>	<u>(417,962)</u>	
Net book value	<u>\$ 264,008</u>	<u>\$ 266,546</u>	

Depreciation expense amounted to \$125,547 and \$81,905 for the years ended December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013, CV wrote off fully depreciated assets amounting to \$17,603 and \$56,305, 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, 2014 and 2013 amounted to \$50,514 and \$48,525, 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 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.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 – NET ASSETS (Continued)

Changes in temporarily restricted and endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Investment activity:			
Interest and dividends	\$ -	\$ 26,733	\$ -
Realized gain on investments	-	13,611	-
Unrealized gain on investments	-	<u>7,578</u>	-
Total investment activity	-	47,922	-
Contributions	-	-	1,357
Expenditures for scholarships (Board Appropriations)	<u>(43,812)</u>	<u>(49,272)</u>	-
Total change in endowment net assets	(43,812)	(1,350)	1,357
Endowment net assets, beginning of year	<u>732,415</u>	<u>70,116</u>	<u>617,386</u>
Endowment net assets, end of year	<u>\$ 688,603</u>	<u>\$ 68,766</u>	<u>\$ 618,743</u>

Changes in temporarily restricted and endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently 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 (Board Appropriations)	<u>-</u>	<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>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 7 – COMMITMENTS AND CONTINGENCIES

- A. CV entered into an operating agreement in November 2007 for the New York office effective September 1, 2008 to August 31, 2018. CV subleases space in Washington, DC with the agreement expiring March 31, 2015 and also leases space in Maryland which agreement expired on March 31, 2015. CV vacated the space in Maryland in March 2015 and relocated and consolidated with its Washington, DC office. In October 2014, CV entered into an operating lease for the Washington, DC office effective April 1, 2015 to September 30, 2025. CV will sub-lease a portion of its Washington, DC space starting in 2015 through September 2025.

Future minimum rental commitments for the years ended subsequent to December 31, 2014 are as follows:

2015	\$ 711,000
2016	1,159,000
2017	1,188,000
2018	1,015,000
2019	649,000
Thereafter	<u>4,098,000</u>
	<u>\$ 8,820,000</u>

Rent expense amounted to \$785,943 and \$770,075 for the years ended December 31, 2014 and 2013, 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 2011.

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 \$1,000 and \$216,000 as of December 31, 2014 and 2013, respectively. Such excess includes outstanding checks.

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.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

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, 2014 and 2013.

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.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2014 are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2014 Total</u>
ASSETS CARRIED AT FAIR VALUE			
Cash Equivalents:			
Money Market Funds	\$ 1,885,340	\$ -	\$ 1,885,340
	<u>1,885,340</u>	<u>-</u>	<u>1,885,340</u>
Investments:			
Equities:			
Consumer Staples	844,270	-	844,270
Information Technology	566,981	-	566,981
Health Care	957,361	-	957,361
Financials	667,337	-	667,337
Industrials	528,210	-	528,210
Energy	387,047	-	387,047
Consumer Discretionary	421,860	-	421,860
Materials	215,659	-	215,659
Telecommunications	197,605	-	197,605
Utilities	<u>77,756</u>	<u>-</u>	<u>77,756</u>
Total Equities	<u>4,864,086</u>	<u>-</u>	<u>4,864,086</u>
Mutual Funds:			
Fixed Income	<u>1,036,341</u>	<u>-</u>	<u>1,036,341</u>
Mortgage/ Asset Backed Securities			
	<u>-</u>	<u>368,635</u>	<u>368,635</u>
Bonds:			
Government	-	1,328,393	1,328,393
Corporate	-	703,550	703,550
Other	<u>-</u>	<u>45,437</u>	<u>45,437</u>
Total Bonds	<u>-</u>	<u>2,077,380</u>	<u>2,077,380</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 7,785,767</u>	<u>\$ 2,446,015</u>	<u>\$ 10,231,782</u>

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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>

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 24, 2015, the date the financial statements were available to be issued.