

CULTURAL VISTAS, INC.



Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

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, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 22, 2016



An independent member of
Morison International

CULTURAL VISTAS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2B and 8)	\$ 267,678	\$ 194,860
Accounts receivable (Note 2K)	303,040	102,521
Prepaid expenses and other assets (Note 2J)	363,258	381,789
Investments (Notes 2F, 3 and 9)	9,828,043	10,231,782
Security deposits	264,742	277,547
Property and equipment, net (Notes 2G and 4)	278,162	264,008
TOTAL ASSETS	\$ 11,304,923	\$ 11,452,507
LIABILITIES		
Accounts payable and accrued expenses	\$ 160,736	\$ 209,982
Deposits from participants (Note 2J)	254,752	302,121
Deferred revenue (Note 2L)	599,190	731,436
Deferred rent (Note 2H)	651,831	157,177
Advances from grantors (Note 2E)	1,158,534	757,931
TOTAL LIABILITIES	2,825,043	2,158,647
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Notes 2C and 6)		
Unrestricted:		
Operating	7,182,675	7,917,748
Board designated scholarship fund	639,799	688,603
Total unrestricted	7,822,474	8,606,351
Temporarily restricted	36,804	68,766
Permanently restricted	620,602	618,743
TOTAL NET ASSETS	8,479,880	9,293,860
TOTAL LIABILITIES AND NET ASSETS	\$ 11,304,923	\$ 11,452,507

CULTURAL VISTAS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015			Year Ended December 31, 2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted
OPERATING SUPPORT AND REVENUE (Note 2D):								
Program administration fees (Note 2J)	\$ 7,807,941	\$ -	\$ -	\$ 7,807,941	\$ 7,729,853	\$ 7,729,853	\$ -	\$ -
Program revenues (Note 2J)	3,927,073	-	-	3,927,073	3,868,987	3,868,987	-	-
Government contracts (Note 2E)	4,681,903	-	-	4,681,903	4,140,239	4,140,239	-	-
Contributions	52,226	-	1,859	54,085	31,811	30,454	-	1,357
Contributed services (Note 2I)	22,317	-	-	22,317	-	-	-	-
Rental income (Note 7B)	106,162	-	-	106,162	-	-	-	-
Net assets released from restrictions (Note 6)	38,796	(38,796)	-	-	-	49,272	(49,272)	-
TOTAL OPERATING SUPPORT AND REVENUE	16,636,418	(38,796)	1,859	16,599,481	15,770,890	15,818,805	(49,272)	1,357
OPERATING EXPENSES:								
Program Services (Note 1):								
Train USA and WEST Programs	7,065,173	-	-	7,065,173	6,349,233	6,349,233	-	-
International Visitor Leadership Program	2,712,702	-	-	2,712,702	2,858,037	2,858,037	-	-
Edmund S. Muskie Internship Program	585,385	-	-	585,385	7,926	7,926	-	-
Short-term Programs	979,889	-	-	979,889	843,270	843,270	-	-
Robert Bosch and Alfa Fellowships	1,505,525	-	-	1,505,525	1,423,309	1,423,309	-	-
Congress-Bundestag Youth Exchange	1,034,751	-	-	1,034,751	992,372	992,372	-	-
American Youth Leadership Programs	-	-	-	-	226,376	226,376	-	-
Internships Abroad and IAESTE Programs	953,474	-	-	953,474	1,079,658	1,079,658	-	-
Total Program Services	14,836,899	-	-	14,836,899	13,780,181	13,780,181	-	-
Supporting Services:								
Management and general	2,421,356	-	-	2,421,356	2,005,604	2,005,604	-	-
Fundraising	201,643	-	-	201,643	61,262	61,262	-	-
Total Supporting Services	2,622,999	-	-	2,622,999	2,066,866	2,066,866	-	-
TOTAL OPERATING EXPENSES	17,459,898	-	-	17,459,898	15,847,047	15,847,047	-	-
CHANGE IN NET ASSETS FROM OPERATIONS	(823,480)	(38,796)	1,859	(860,417)	(76,157)	(28,242)	(49,272)	1,357
NON-OPERATING REVENUE (Note 2D):								
Investment activity (Notes 3 and 6)	39,603	6,834	-	46,437	516,098	468,176	47,922	-
TOTAL NON-OPERATING REVENUE	39,603	6,834	-	46,437	516,098	468,176	47,922	-
CHANGE IN NET ASSETS	(783,877)	(31,962)	1,859	(813,980)	439,941	439,934	(1,350)	1,357
Net assets - beginning of year	8,606,351	68,766	618,743	9,293,860	8,853,919	8,166,417	70,116	617,386
NET ASSETS - END OF YEAR	\$ 7,822,474	\$ 36,804	\$ 620,602	\$ 8,479,880	\$ 9,293,860	\$ 8,606,351	\$ 68,766	\$ 618,743

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

CULTURAL VISTAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014)

	Year Ended December 31, 2015												
	Program Services								Supporting Services				
	Inbound Programs				Reciprocal and Outbound Programs				Management and General	Fund Raising	Total Supporting Services	Total 2015	Total 2014
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	Total Program Services						
Salaries	\$ 2,391,289	\$ 363,807	\$ 157,658	\$ 196,468	\$ 295,682	\$ 272,159	\$ 385,481	\$ 4,062,544	\$ 1,209,855	\$ 119,556	\$ 1,329,411	\$ 5,391,955	\$ 4,855,107
Payroll taxes and employee benefits (Note 5)	616,046	88,599	40,321	18,809	55,261	69,015	94,074	982,125	251,349	24,486	275,835	1,257,960	1,116,663
Total Salaries and Related Costs	3,007,335	452,406	197,979	215,277	350,943	341,174	479,555	5,044,669	1,461,204	144,042	1,605,246	6,649,915	5,971,770
Occupancy (Note 7)	574,035	94,067	26,281	-	46,491	63,975	89,209	894,058	215,048	19,872	234,920	1,128,978	810,795
Professional services (Note 2I)	272,344	29,343	14,936	62,078	39,927	27,797	98,597	545,022	236,503	15,014	251,517	796,539	665,891
Travel and meetings	123,535	11,120	1,891	9,713	2,474	435	28,233	177,401	160,649	6,996	167,645	345,046	393,769
Office supplies and other	70,345	13,043	4,327	777	4,712	6,598	15,816	115,618	126,633	2,965	129,598	245,216	136,175
Credit card merchant fees	162,087	420	-	691	330	235	334	164,097	19,609	88	19,697	183,794	185,891
Insurance	24,907	3,419	1,660	-	1,954	2,930	3,907	38,777	9,084	976	10,060	48,837	42,580
Equipment rental and repairs	22,247	3,017	1,176	-	1,391	1,913	2,734	32,478	7,753	728	8,481	40,959	48,076
Telecommunications	50,052	13,091	3,100	-	3,255	4,638	7,682	81,818	22,541	2,160	24,701	106,519	101,609
Postage	106,958	1,275	220	617	194	4,212	4,620	118,096	6,598	1,321	7,919	126,015	135,305
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	96,062
Management fees - investments	-	-	-	-	-	-	4,201	4,201	37,845	-	37,845	42,046	55,172
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	125,547
Subtotal	4,543,112	637,728	258,368	292,336	460,492	467,149	753,689	7,412,874	2,372,232	201,643	2,573,875	9,986,749	8,768,642
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	7,078,405
TOTAL EXPENSES	\$ 7,065,173	\$ 2,712,702	\$ 585,385	\$ 979,889	\$ 1,505,525	\$ 1,034,751	\$ 953,474	\$ 14,836,899	\$ 2,421,356	\$ 201,643	\$ 2,622,999	\$ 17,459,898	\$ 15,847,047

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

Year Ended December 31, 2014

	Program Services								Supporting Services				
	Inbound Programs				Reciprocal and Outbound Programs				Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total 2014
	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					
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
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
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
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
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
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
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
Credit card merchant fees	172,478	329	-	170	138	277	636	555	174,583	11,284	24	11,308	185,891
Insurance	21,716	3,406	-	426	1,703	2,555	426	4,258	34,490	7,664	426	8,090	42,580
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
Telecommunications	42,791	19,534	-	980	3,113	4,945	889	7,794	80,046	20,921	642	21,563	101,609
Postage	110,068	2,529	-	537	179	4,763	49	6,994	125,119	10,175	11	10,186	135,305
Printing	36,531	4,104	-	1,284	1,889	2,794	409	10,014	57,025	38,602	435	39,037	96,062
Management fees - investments	-	-	-	-	-	-	-	-	-	55,172	-	55,172	55,172
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
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
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
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

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

CULTURAL VISTAS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (813,980)	\$ 439,941
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	154,006	125,547
Contributions restricted for endowment	(1,859)	(1,357)
Realized gain on investments	(822,224)	(294,232)
Unrealized loss on investments	991,952	6,032
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(200,519)	(17,500)
Prepaid expenses and other assets	18,531	(248,216)
Security deposits	12,805	(147,238)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(49,246)	88,869
Deposits from participants	(47,369)	73,618
Deferred revenue	(132,246)	10,780
Deferred rent	494,654	(9,898)
Advances from grantors	400,603	(63,264)
	5,108	(36,918)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(168,160)	(123,009)
Proceeds from sale of investments	10,022,382	5,938,953
Purchases of investments	(9,788,371)	(5,811,806)
	65,851	4,138
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	1,859	1,357
	1,859	1,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72,818	(31,423)
Cash and cash equivalents - beginning of year	194,860	226,283
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 267,678	\$ 194,860

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

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1963, 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. The organization possesses over 50 years of exchange experience working with more than 100,000 participants from over 140 countries around the world. Roughly 54% of Cultural Vistas’ income is derived from program-related administrative fees; 45% 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). 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 2015: 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 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 U.S. President Barack Obama’s signature program 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 2015, CV administered the YSEALI Generation: EARTH regional exchange workshop in Cambodia to help 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 FINANCIAL STATEMENTS
December 31, 2015 and 2014

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 2015, 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 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 2015 and 2014, expenditures for scholarships paid from this fund amounted to \$38,796 and \$49,272. In 2015 and 2014, 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 FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015 and 2014, CV recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to \$(23,883) and \$(9,898), respectively. CV also leases real property under a Washington, DC operating lease which began in April 2015 and expires in September 2025. For the year ended December 31, 2015 CV recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to \$518,537. 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 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, require specialized skills and are provided by individuals possessing those skills. CV recognized contributed legal services amounting to approximately \$22,000 and \$0, as in-kind contributions in the accompanying statement of activities for the years ended December 31, 2015, and 2014, 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, 2015 and 2014, 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.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Certificates of deposits	\$ 252,167	\$ 1,885,340
Equities	2,434	4,864,086
Mutual funds	9,573,442	1,036,341
Mortgage/ Asset Backed Securities	-	368,635
Bonds	<u>-</u>	<u>2,077,380</u>
	<u>\$ 9,828,043</u>	<u>\$ 10,231,782</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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 216,165	\$ 227,898
Realized gain on investments	822,224	294,232
Unrealized loss on investments	<u>(991,952)</u>	<u>(6,032)</u>
	<u>\$ 46,437</u>	<u>\$ 516,098</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 798,029	\$ 789,914	3-8 years
Less: Accumulated depreciation	<u>(519,867)</u>	<u>(525,906)</u>	
Net book value	<u>\$ 278,162</u>	<u>\$ 264,008</u>	

Depreciation expense amounted to \$154,006 and \$125,547 for the years ended December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, CV wrote off fully depreciated assets amounting to \$160,045 and \$17,603, 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, 2015 and 2014 amounted to \$53,621 and \$50,514, respectively. It is CV's policy to fund pension costs currently.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
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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 restricted and endowment net assets for the year ended December 31, 2015 are as follows:

	<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>

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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>-</u>	<u>7,578</u>	<u>-</u>
Total investment activity	-	47,922	-
Contributions	-	-	1,357
Expenditures for scholarships (Board Appropriations)	<u>(43,812)</u>	<u>(49,272)</u>	<u>-</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>

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 which agreement expired on 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. The lessor provided CV a construction allowance for the amount of \$198,787 which CV recognized as deferred rent that was 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 entered into various equipment lease agreements for copiers and printers at the New York and Washington, DC office.

Future minimum rental commitments for the years ended subsequent to December 31, 2015 are as follows:

	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
2016	\$ 1,137,000	\$ 22,000	\$ 1,159,000
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
Thereafter	<u>3,428,000</u>	<u>-</u>	<u>3,428,000</u>
	<u>\$ 8,053,000</u>	<u>\$ 56,000</u>	<u>\$ 8,109,000</u>

Rent expense amounted to \$979,829 and \$785,943 for the years ended December 31, 2015 and 2014, respectively, and is included in occupancy expense in the accompanying financial statements. Equipment expense amounted to approximately \$22,000 for the years ended December 31, 2015 and 2014 and is included in equipment rental and repairs expense in the accompanying financial statements.

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NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. CV sub-leased a portion of its Washington, DC space starting April 1, 2015 through September 30, 2025 and received rental income of approximately \$106,000 and \$0 for the years ended December 31, 2015 and 2014, respectively. This income is included the accompanying financial statements. The approximate future minimum annual rentals to be received under the leases for the years ended after December 31, 2015 are as follows:

2016	\$ 147,000
2017	153,000
2018	159,000
2019	166,000
2020	172,000
Thereafter	<u>1,677,000</u>
	<u>\$ 2,474,000</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 \$153,000 and \$1,000 as of December 31, 2015 and 2014, 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, 2015 and 2014.

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
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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.

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.

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

	<u>Level 1</u>	<u>2015 Total</u>
ASSETS CARRIED AT FAIR VALUE		
Cash Equivalents:		
Certificates of Deposit	\$ 252,167	\$ 252,167
	<u>252,167</u>	<u>252,167</u>
Investments:		
Equities:		
Utilities	2,434	2,434
Total Equities	<u>2,434</u>	<u>2,434</u>
Mutual Funds:		
Domestic Stock	3,025,684	3,025,684
International Stock	2,023,420	2,023,420
Conservative Allocation	72,965	72,965
Fixed Income	4,451,373	4,451,373
Total Mutual Funds	<u>9,573,442</u>	<u>9,573,442</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 9,828,043</u>	<u>\$ 9,828,043</u>

CULTURAL VISTAS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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:			
Certificates of Deposit	\$ 877,589	\$ -	\$ 877,589
Money Market Funds	<u>1,007,751</u>	<u>-</u>	<u>1,007,751</u>
	<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>

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 22, 2016, the date the financial statements were available to be issued.