Salzburg Global Seminar, Inc.
and Subsidiary

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2013 and 2012

Salzburg Global Seminar, Inc. and Subsidiary

Index

Independent Auditor's Report

To the Board of Directors
Salzburg Global Seminar, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Salzburg Global Seminar, Inc. and Subsidiary (the "Seminar"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2013 and 2012 consolidated financial statements of the operations that occurred in Salzburg, Austria, which statements reflect total assets of $11,866,449 and $10,551,978 as of December 31, 2013 and 2012, respectively, and the total change in net assets of $1,678,904 and $1,197,804 for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Salzburg operations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Salzburg Global Seminar, Inc. and Subsidiary as of December 31, 2013 and 2012, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Bethesda, Maryland
May 21, 2014

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2013 and 2012

Assets

	2013	2012
Cash and cash equivalents	$ 1,326,645	$ 240,747
Accounts receivable and other assets	630,929	664,536
Pledges receivable, net of discount	1,758,707	1,671,428
Investments (of which $13,927,272 and $13,304,124 is pledged as collateral for loans as of December 31, 2013 and 2012, respectively)	18,916,512	17,747,632
Property and equipment, net	4,297,844	4,236,571
Total assets	$ 26,930,637	$ 24,560,914

Liabilities and Net Assets (Deficit)

	2013	2012
Liabilities		
Accounts payable and accrued liabilities	$ 1,730,049	$ 1,517,406
Line of credit	3,472,991	2,445,535
Bank overdraft facility	7,991,359	7,371,244
Notes payable	8,790,495	7,968,751
Total liabilities	21,984,894	19,302,936
Net assets (deficit)		
Unrestricted	(16,704,941)	(15,921,412)
Temporarily restricted	5,582,583	4,975,945
Permanently restricted	16,068,101	16,203,445
Total net assets	4,945,743	5,257,978
Total liabilities and net assets	$ 26,930,637	$ 24,560,914

See Accompanying Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Activities
Year Ended December 31, 2013
(with comparative totals for 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	2013	2012
Revenues					
Individual	$ 852,471	$ 299,828	$ 50,332	$ 1,202,631	$ 1,008,140
Corporate	10,000	4,000	-	14,000	5,000
Foundation	638,561	1,258,166	8,552	1,905,279	1,121,282
Government	95,741	90,193	-	185,934	194,271
Participant funded tuition	1,007,254	-	-	1,007,254	1,186,356
Conference income	1,914,049	-	-	1,914,049	1,635,230
Investment return	1,491,338	388,334	258,674	2,138,346	1,620,840
Other income	212,270	-	-	212,270	319,555
Net foreign currency transaction gain	412,275	1,108	21,730	435,113	177,429
Net assets released from restriction and reclassification	2,166,438	(1,447,946)	(718,492)	-	-
Total revenues	8,800,397	593,683	(379,204)	9,014,876	7,268,103
Expenses					
Wages and benefits	4,497,765	-	-	4,497,765	4,349,877
Travel	503,419	-	-	503,419	525,932
Office	283,437	-	-	283,437	267,079
Publications	25,140	-	-	25,140	9,052
Meierhof and Schloss building operating cost	1,040,382	-	-	1,040,382	1,099,836
Taxes	121,847	-	-	121,847	136,653
Professional fees	842,395	-	-	842,395	902,562
Interest and bank fees	373,175	-	-	373,175	397,219
Miscellaneous	678,540	-	-	678,540	552,234
Depreciation	369,663	-	-	369,663	343,702
Total expenses	8,735,763	-	-	8,735,763	8,584,146
Change in net assets before foreign currency translation adjustments	64,634	593,683	(379,204)	279,113	(1,316,043)
Foreign currency translation adjustments	(848,163)	12,955	243,860	(591,348)	(273,291)
Change in net assets	(783,529)	606,638	(135,344)	(312,235)	(1,589,334)
Net assets at beginning of year	(15,921,412)	4,975,945	16,203,445	5,257,978	6,847,312
Net assets at end of year	$ (16,704,941)	$ 5,582,583	$ 16,068,101	$ 4,945,743	$ 5,257,978

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Activities
Year Ended December 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	2012
Revenues				
Individual	$ 575,052	$ 417,481	$ 15,607	$ 1,008,140
Corporate	-	5,000	-	5,000
Foundation	912,512	208,770	-	1,121,282
Government	144,799	49,472	-	194,271
Participant funded tuition	1,186,356	-	-	1,186,356
Conference income	1,635,230	-	-	1,635,230
Investment return	976,374	444,809	199,657	1,620,840
Other income	319,555	-	-	319,555
Net foreign currency transaction gain	107,746	844	68,839	177,429
Net assets released from restriction and reclassification	2,787,399	(2,205,863)	(581,536)	-
Total revenues	8,645,023	(1,079,487)	(297,433)	7,268,103
Expenses				
Wages and benefits	4,349,877	-	-	4,349,877
Travel	525,932	-	-	525,932
Office	267,079	-	-	267,079
Publications	9,052	-	-	9,052
Meierhof and Schloss building operating cost	1,099,836	-	-	1,099,836
Taxes	136,653	-	-	136,653
Professional fees	902,562	-	-	902,562
Interest and bank fees	397,219	-	-	397,219
Miscellaneous	552,234	-	-	552,234
Depreciation	343,702	-	-	343,702
Total expenses	8,584,146	-	-	8,584,146
Change in net assets before foreign currency translation adjustments	60,877	(1,079,487)	(297,433)	(1,316,043)
Foreign currency translation adjustments	(325,128)	9,976	41,861	(273,291)
Change in net assets	(264,251)	(1,069,511)	(255,572)	(1,589,334)
Net assets at beginning of year	(15,657,161)	6,045,456	16,459,017	6,847,312
Net assets at end of year	$ (15,921,412)	$ 4,975,945	$ 16,203,445	$ 5,257,978

See Accompanying Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ (312,235)	$ (1,589,334)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	369,663	343,702
Realized and unrealized appreciation	(1,609,760)	(1,128,016)
Foreign currency translation adjustments	591,348	273,291
Foreign currency transaction gain	(435,113)	(177,429)
Foreign currency gain on long-term debt	(107,846)	(34,868)
Fair value adjustment on foreign currency hedging contracts	-	(125,512)
Bad debt	30,250	-
Contributions restricted for long-term investment	(80,614)	(84,446)
Releases from restricted long term investment	718,492	581,536
Interest and dividends restricted for long-term investment	(258,674)	(199,657)
Changes in cash based on change in		
Pledges receivable	(117,529)	1,027,814
Accounts receivable and other assets	55,939	(121,801)
Accounts payable and accrued liabilities	148,718	(929,988)
Net cash used in operating activities	(1,007,361)	(2,164,708)
Cash flows from investing activities		
Purchase of investments	(378,973)	(3,932,310)
Proceeds from sales of investments	1,072,231	4,383,733
Purchase of property and equipment	(249,298)	(192,556)
Net cash provided by investing activities	443,960	258,867
Cash flows from financing activities		
Contributions, interest and dividends restricted for long term investment	(379,204)	(297,433)
Net advances on line of credit	1,027,456	2,076,815
Change in bank overdraft facility	284,937	80,314
Proceeds (payments) on notes payable, net	677,243	(42,376)
Net cash provided by financing activities	1,610,432	1,817,320
Effect of exchange rates on cash	38,867	4,930
Net increase (decrease) in cash and cash equivalents	1,085,898	(83,591)
Cash and cash equivalents at beginning of year	240,747	324,338
Cash and cash equivalents at end of year	$ 1,326,645	$ 240,747
Supplemental data		
Interest paid	$ 356,012	$ 319,083

See Accompanying Notes to Consolidated Financial Statements.

Note 1 - Summary of significant accounting policies

Activities and organization

The Salzburg Global Seminar, Inc. and Subsidiary (the "Seminar") is an independent, not-for-profit educational organization incorporated in 1947 that holds seminars on topics as diverse as healthcare and education, culture and economics, geopolitics and philanthropy. The purpose of the Seminar is the study, at the highest level, of contemporary problems of worldwide scope. The Seminar is administered from its office in Washington, D.C. In addition, the Seminar has teaching and conference facilities in Austria.

In 2005, Salzburg Global Seminar, Austria was established as an independent Austrian association. Salzburg Global Seminar, Austria and the Seminar share some members of management and the Board of Directors.

The consolidated financial statements include both the Salzburg Global Seminar, Austria and Salzburg Global Seminar, Inc., collectively called the Seminar. The financial statements of each location have been combined and all significant transactions between locations have been eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. Accounting standards require that unconditional promises to give ("pledges") be recorded as receivables and revenues within the appropriate net asset category. Authoritative accounting guidance has established standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of activities and a statement of cash flows. This requires classification of net assets and its revenues, expenses, gains and losses into three categories, based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the Seminar are classified and defined as follows:

Unrestricted

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted

Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Seminar.

Permanently restricted
Reflects gifts (and in certain circumstances earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit with financial institutions and money market accounts, excluding cash equivalents held as investments. Highly liquid instruments purchased with an original maturity of three months or less are classified as cash equivalents.

Accounts receivable and bad debts

Trade accounts receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Pledges receivable and bad debts

Pledges receivable are recorded at the present value of estimated future cash flows using a discount rate equal to the risk free rate of return for U.S. Treasury Bills. Pledges greater than $5,000 with a time period over one year are discounted. The Seminar provides an allowance for uncollectible pledges receivable based on the estimated collectability of pledges. As of December 31, 2013 and 2012, management estimates that no allowance for uncollectible pledges is necessary. It is reasonably possible that management's estimate of the allowance will change. When collection efforts have been exhausted, the account is written off against the established allowance.

Investments

Investments in equity and debt securities are reported at fair value at quoted market prices. Investment return includes interest and dividends, realized gains or losses, and changes in unrealized appreciation (depreciation), and is presented in the statements of activities based on donor restrictions. Realized gains/losses and changes in unrealized appreciation (depreciation) are added to or deducted from unrestricted, temporarily and permanently restricted net assets, as appropriate, and gains can be expended under statutes governing use of fund appreciation. The specific cost of investments sold is used to determine the basis for computing realized gains or losses.

Property and equipment

Property and equipment, including major renewals and improvements, are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

When major repairs and maintenance are performed, the cost is capitalized if the recognition criteria are satisfied. All other repairs and maintenance costs are charged to expense as incurred. Costs incurred for major renewals and improvements are recorded as construction in progress and are not depreciated until the constructed asset is ready for its intended use.

The carrying amount of assets sold or otherwise disposed of and the related accumulated depreciation are eliminated from the financial statements in the year of disposal, and the resulting gain or loss is credited or charged to the change in net assets, included in miscellaneous expense.

The Seminar reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2013 and 2012.

Severance pay

Under Austrian law, Austrian employees, upon retirement or certain other terminations, are entitled up to one year's salary dependent upon length of service. This is valid for employment contracts that have been entered into in the year 2003 and before. The cost is accrued over the active service period of the employees. The estimated liability has been included in accounts payable and accrued liabilities in the consolidated statements of financial position (see Note 8).

For employment contracts that have been entered after January 1, 2003 there is a new severance payment system in place which does not require a provision for severance payments.

Revenue recognition

Contributions received to fund specific seminars are included in revenue when received or pledged. Gifts of cash and other noncapital assets are reported as temporarily restricted revenue if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the earlier of stipulated time restriction ends or the purpose of the 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 restriction.

Gifts of cash and pledges to be invested in property and equipment are reported as temporarily restricted net assets until the property and equipment is placed in service.

Temporarily restricted contributions and gifts received and expended for the restricted purpose of the contribution and gifts in the same fiscal year are recorded as unrestricted net assets. Donated noncash assets are recorded at estimated fair value on the date of the gift.

A significant portion of the Seminar's revenue is derived through contributions from foundations, corporations and individuals. The Seminar is dependent on these contributions to carry out its operating activities.

Participant funded tuition is recognized when the payments are received from participants in the seminar programs.

Conference revenue is recognized when the conference or event is held, or a hotel guest stays at the facility and is reported as unrestricted revenue.

Foreign currency translation
In accordance with accounting guidance for foreign currency translation, the effects of translation rate changes related to net assets denominated in Euros are recorded as foreign currency translation adjustments rather than in revenues and expenses. Transaction gains and losses are included in revenue as foreign currency translation gains or losses. The functional currency of the Austrian operation is the Euro. The year-end rate used for conversion as of December 31, 2013 and 2012 was 1.3780 and 1.3199, respectively. The weighted average rate used for conversion of the activities during 2013 and 2012 was 1.3281 and 1.2848, respectively.

Foreign currency derivatives
The Seminar's foreign exchange contracts and options are reported at fair market value and are reported in accounts receivable and other assets or accounts payable and accrued liabilities, as applicable. Gains or losses in fair value on forward contracts are recognized in earnings and are included in other income.

Taxes
The Seminar is exempt from U.S. income taxes under Section 501(c)(3) of the Internal Revenue Code, however, income from certain activities not directly related to the Seminar's tax-exempt purpose is subject to taxation as unrelated business income. The Seminar is also subject to certain taxes in Austria and U.S. personal property tax.

The Seminar evaluates its uncertain tax positions using the provisions of authoritative guidance. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position, or for all uncertain tax positions in the aggregate, could differ from the amount recognized. The Seminar has no uncertain tax positions as of December 31, 2013 and 2012.

The Seminar's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the Internal Revenue Service for a period of three years after they were filed. While no tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

Concentration of credit risk
The Seminar has cash and cash equivalents and marketable securities which subject the Seminar to concentrations of credit risk. The Seminar mitigates this risk by evaluating the capital structure of the financial institutions which hold these deposits.

The Salzburg Global Seminar, Austria operates the hotel located in Salzburg, Austria. Future operations could be affected by changes in economic or other conditions in that geographical area or the demand for lodging.

Note 2 - Net assets

Net assets (deficit) consist of the following:

	2013	2012
Unrestricted		
Unrestricted	$ (15,691,295)	$ (15,755,929)
Cumulative translation adjustments	(1,013,646)	(165,483)
	$ (16,704,941)	$ (15,921,412)
Temporarily restricted		
Contributions and gifts to support future sessions	$ 3,479,079	$ 2,878,859
Contributions to be classified to permanently restricted	2,143,194	2,149,731
Cumulative translation adjustments	(39,690)	(52,645)
	$ 5,582,583	$ 4,975,945
Permanently restricted		
Endowments	$ 15,737,092	$ 16,116,296
Cumulative translation adjustments	331,009	87,149
	$ 16,068,101	$ 16,203,445

During 1995, the Seminar received a $10 million gift from a foundation, of which $5 million was classified as permanently restricted net assets and $5 million was classified as temporarily restricted net assets. When the Seminar raises $10 million in matching endowment gifts, the $5 million of temporarily restricted net assets will be reclassified to permanently restricted net assets. During 2013, the Seminar received pledges and cash contributions which qualify as matching endowment gifts of $13,073. Accordingly, $6,537 was reclassified from temporarily restricted to permanently restricted net assets in the consolidated statements of activities in 2013. Matching endowment gifts also consist of the future value of unconditional and conditional gifts, including bequests and other conditional gifts totaling approximately $213,073 and $245,500 as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, the Seminar reported approximately $5.7 million of matching endowment gifts toward the $10 million goal.

Included in the permanently restricted net assets is a $2 million gift for the Sasakawa Endowment Fund Program which supports fellowships and travel for individuals to attend sessions at the Seminar. Under terms of the *Agreement on the Sasakawa Endowment Fund between Salzburg Seminar and the Nippon Foundation* (the "Agreement"), the Seminar can expend up to 90% of the income earned annually. The Agreement also contains a provision that would allow the Nippon Foundation to recover unexpended funds if the Seminar does not comply with the terms of the Agreement. During 2013 and 2012, $65,910 and $71,303, respectively, of investment return was used for grant purposes and administrative expense in accordance with the Agreement.

Note 3 - Endowment funds

The Seminar classifies net assets of donor-restricted endowment funds based on the interpretation of the Law of Massachusetts and according to generally accepted accounting principles ("GAAP"). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Seminar interprets the Uniform Prudent Management of Institutional Funds Acts ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowments funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminar classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Seminar in a manner consistent with the standard of prudence prescribed by UPMIFA.

The changes in endowment net assets for the years ending December 31, 2013 and 2012 consisted of the following:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets January 1, 2013	$ (1,049,892)	$ 2,754,860	$ 16,203,445	$ 17,908,413
Investment return:				
Investment income	414,399	77,892	36,295	528,586
Net appreciation (realized and unrealized)	1,076,939	310,442	222,379	1,609,760
Total investment return	1,491,338	388,334	258,674	2,138,346
Contributions	-	-	58,884	58,884
Appropriation of endowment assets for expenditure	(916,632)	(24,836)	-	(941,468)
Net assets released from restriction and reclassification	789,994	(71,502)	(718,492)	-
Changes - foreign currency translation and transactions	-	8,157	265,590	273,747
Endowment net assets, December 31, 2013	$ 314,808	$ 3,055,013	$ 16,068,101	$ 19,437,922

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, January 1, 2012	$ (1,741,273)	$ 2,413,414	$ 16,459,017	$ 17,131,158
Investment return:				
Investment income	477,238	4,994	10,592	492,824
Net appreciation (realized and unrealized)	568,326	370,625	189,065	1,128,016
Total investment return	1,045,564	375,619	199,657	1,620,840
Contributions	-	-	15,607	15,607
Appropriation of endowment assets for expenditure	(935,071)	(37,452)	-	(972,523)
Net assets released from restriction and reclassification	581,711	(175)	(581,536)	-
Changes - foreign currency translation and transactions	(823)	3,454	110,700	113,331
Endowment net assets, December 31, 2012	$ (1,049,892)	$ 2,754,860	$ 16,203,445	$ 17,908,413

Funds with deficiencies

From time-to-time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $89,564 and $945,182 as of December 31, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the year ending December 31, 2013 and 2012.

Return objectives and risk parameters
The Seminar's investment strategy as approved by the Board of Directors is to invest in a mixed portfolio of funds with the objective of principal growth and annual income return. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return (after inflation) of 5% annually on a rolling 12 quarter basis while assuming a minimal amount of risk. The Seminar expects its endowment funds, over time, to provide this annual rate of return. Actual returns in any given period may vary from this amount.

Strategies employed for achieving objectives
To satisfy its long term rate of return investment objectives, the Seminar relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The organization targets a diversified asset allocation that places an emphasis on income based investments and equity investments to maximize income and to achieve long term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy
In 2009, with passage of UPMIFA legislation, the Commonwealth of Massachusetts authorized the use of endowment funds in situations deemed reasonable and prudent by an institution's governing board. As a result of this legislation, the Board of Directors authorized the Seminar to spend up to 3% of a 12-quarter rolling average of endowments at fair market value, excluding endowment investments with specified spending rates. This policy will be in effect until endowments exceed historic value. Any endowment that exceeds historic value will also spend a portion of accumulated gains up to a maximum spending rate of 5%. During 2013 and 2012, the difference between interest income and dividends and the total amount spent under the policy, funded by endowment corpus was $497,528 and $570,000, respectively. In December 2013, the Board of Directors approved additional spending in the amount of $220,000 that was funded by endowment corpus.

Note 4 - Pledges receivable

Pledges outstanding at December 31, 2013 and 2012 are summarized as follows:

	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	$ 993,912	$ 597,979
One year to five years	794,400	1,020,000
Thereafter	-	138,000
Total gross pledges	1,788,312	1,755,979
Less: Discount to present value	(29,605)	(84,551)
Total pledges, net	$ 1,758,707	$ 1,671,428

The discount to present value was calculated using discount factors based on U.S. Treasury Notes rates. Pledges greater than $5,000 with a time period over one year are discounted. As of December 31, 2013 and 2012, pledge receivables of $30,250 and $0, respectively, were written off and recorded in miscellaneous expense.

In 1999, one individual signed an irrevocable pledge agreement to donate $100,000 upon his death. The pledge receivable was discounted using a 6% rate and eight years for a receivable of $62,741 as of December 31, 2012. The pledge became due and demandable in March 2013. Salzburg Global Seminar is in the process of claiming the pledge as of December 31, 2013.

Note 5 - Investments

Investments at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Cash equivalents	$ 304,764	$ 320,063
Mutual funds in the United States	12,628,302	11,679,847
Mutual funds and bonds in Austria	5,983,446	5,747,722
Total fair value of investments	$ 18,916,512	$ 17,747,632

Cash equivalents represent money market instruments which are invested in U.S. dollars and Euros. Mutual funds in the United States include domestic intermediate fixed income funds, as well as a blend of domestic and international stock funds which present opportunity for growth.

Mutual funds in Austria include investments in two Euro denominated fixed income funds, one which invests primarily in longer term Austrian government fixed income securities and one which invests in intermediate term European fixed income securities.

Total investment return for the years ended December 31, 2013 and 2012 consisted of the following:

	2013	2012
Interest income and dividends	$ 528,586	$ 492,824
Realized gain	304,030	1,995
Unrealized gain, net	1,305,730	1,126,021
Total investment return	$ 2,138,346	$ 1,620,840

Investment fees amounted to $24,032 and $11,808, respectively. Total investment return is net of investment fees.

Note 6 - Property and equipment

Property and equipment at December 31, 2013 and 2012 consisted of the following:

	Estimated useful life in years	2013	2012
Land	-	$ 191,941	$ 183,848
Buildings:			
Schloss Leopoldskron	10 - 50	1,928,871	1,807,230
Meierhof	10 - 50	9,222,822	8,815,141
Equipment	4 - 10	781,011	739,227
Construction in Progress	-	85,323	-
		12,209,968	11,545,446
Less: Accumulated depreciation		(7,912,124)	(7,308,875)
Property and equipment, net		$ 4,297,844	$ 4,236,571

A component of the net change in fixed assets from December 31, 2013 and 2012 is the effect of foreign currency translation (see Note 1). During 2009, management obtained an appraisal for the replacement value of land and the Schloss Leopoldskron in Austria. Based on this appraisal, the replacement value of land and the Schloss Leopoldskron was $15,065,674 and $34,090,104, respectively, after conversion to U.S. dollars at December 31, 2013.

Note 7 - Notes payable and line of credit

Notes payable at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Notes payable (denominated in CHF) to an Austrian bank with principal and interest payments through 2015 and 2018. Interest is at LIBOR rate plus 1.13% (1.15% and 1.17% at December 31, 2013 and 2012, respectively). The loan is collateralized by investments and real estate in Austria.	$ 2,598,555	$ 2,641,723
Note payable (denominated in Euros) to an Austrian bank with principal and interest payments through 2016. Interest is at the Austrian Federal Ministry of Economic Affairs published rate (2.32% and 2.31% at December 31, 2013 and 2012, respectively). The loan is collateralized by investments and real estate in Austria. This collateral is a subset of the amounts supporting the CHF notes payable.	1,725,817	1,748,254
Note payable (denominated in U.S.-$) to an Austrian bank with principal and interest payments through 2025. Interest is at refinancing interest rate plus 1.75% (2.00% and 2.13% at December 31, 2013 and 2012, respectively). The loan is collateralized by investments and real estate in Austria.	2,839,523	2,953,774
Bridge loan payable to a board member with interest, accrued at a rate of 2.00% per annum. Principal and accrued interest are due at maturity in 2014.	500,000	500,000
Notes payable to board members with interest, accrued at a rate of 1.00% per annum. Principal and accrued interest are due at maturity in 2017. The loans are guaranteed by another board member with no recourse to the Seminar.	125,000	125,000

	2013	2012
Notes payable to board members with interest, accrued at a rate of 1.00% per annum. Principal and accrued interest are due at maturity in 2018. The loans are guaranteed by another board member with no recourse to the Seminar.	1,001,600	-
	$ 8,790,495	$ 7,968,751

The principal repayment amounts due over the next five years and thereafter are as follows:

2014	$ 836,387
2015	1,101,842
2016	1,779,504
2017	506,305
2018	2,756,174
Thereafter	1,810,283
	$ 8,790,495

During 2012, the Seminar entered into a securities-backed lending arrangement with a financial institution. The Seminar has available credit equal to 70 - 90% of the fair value of eligible securities held with the financial institution. Interest on the line of credit is at a rate of 30 Day LIBOR + 1.375% and is collateralized by certain underlying securities in the amount of $7,943,826 and $7,556,402 as of December 31, 2013 and 2012, respectively. The balance on the line of credit was $3,472,991 and $2,445,535 at December 31, 2013 and 2012, respectively.

The Seminar had a revolving line of credit agreement with a U.S. bank. During 2012, the revolving line of credit was paid in full and terminated.

The Seminar has one overdraft facility in Austria under which it pays interest at a variable rate of Euribor plus 1.25% (1.50% and 1.50% at December 31, 2013 and 2012, respectively,) and another overdraft facility at Euribor plus 1.38% (1.63% and 1.63% at December 31, 2013 and 2012, respectively). At December 31, 2013 and 2012, the overdrafts totaled $7,991,359 and $7,371,244, respectively. The written limits on these overdrafts at December 31, 2013 and 2012 are $8,681,400 and $8,315,370, respectively.

Note 8 - Employee benefits

Severance pay expense for Austrian employees amounted to $26,960 and $21,713 in 2013 and 2012, respectively, including foreign currency gain of $16,084 and $5,545, respectively. The related accrual at December 31, 2013 and 2012 was $385,427 and $342,382, respectively, and is included in accounts payable and accrued liabilities in the consolidated statements of financial position.

Severance pay expense for a U.S. employee in the amount of $92,357 was paid in full as of December 31, 2012 and no additional expense was incurred as of December 31, 2013.

The Seminar sponsors a defined contribution plan which covers substantially all United States employees. The Seminar contributes a fixed percentage of the employees' wages. The expense related to this plan was $43,680 and $42,016 in 2013 and 2012, respectively, and is included in wages and benefits in the consolidated statements of activities.

Note 9 - Lease commitments

The Seminar has operating lease agreements for the rental of office space and equipment. The office space leases provide for minimum annual rent plus payments for real estate taxes and insurance.

On February 15, 2013, the Seminar entered into a three-year lease agreement with an educational institution for office space in Middlebury, VT. In lieu of rent, the Seminar will provide the educational institution with four fellowships for each lease year.

On December 11, 2009, the Seminar entered into a three-year sublease agreement for an office suite in Washington, D.C. During 2012, the sublease agreement was extended to June 30, 2015. Rent is paid in monthly installments of $6,162 and escalates each year.

The Seminar in Salzburg, Austria entered into various operating leases that include a fire alarm system, vehicle, computers and office equipment. One leasing agreement concerning a vehicle will expire in 2014. These agreements have lease terms beyond one year.

Minimum future rental payments under these leases as of December 31, 2013 are as follows:

2014	$	143,426
2015		90,750
2016		16,804
2017		15,176
2018		3,984
Thereafter		3,984
	$	274,124

Rent paid under these leases amounted to $124,412 and $87,511 in 2013 and 2012, respectively, and is included in office expenses in the consolidated statements of activities.

Note 10 - Functional expenses

Operating and non-operating expenses related to providing the services of the Seminar for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Educational programs and projects	$ 3,453,641	$ 3,485,240
Conference center	4,043,885	3,778,199
Management and general	624,444	697,219
Fundraising and reporting	613,793	623,488
	$ 8,735,763	$ 8,584,146

Note 11 - Related party

The Seminar holds investments in various mutual funds managed by the Capital Group. Senior executives of the Capital Group are members of the Board of Directors of the Seminar. The Board of Directors of the Seminar approved the initial and continuing investment in all investment funds. The market value of these mutual funds for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Bond Fund of America	$ 388,994	$ 764,448
Income Fund of America	1,272,444	1,110,628
Euro Pacific Growth Fund	1,143,080	958,650
Capital Income Builder Fund	4,699,404	4,595,381
New World Fund A	694,243	643,903
Washington Mutual Investors Fund	2,706,357	1,864,328
	$ 10,904,522	$ 9,937,338

During 2013 and 2012, the Seminar received loan financing from members of the Board (see Note 7).

During 2013 and 2012, members of the Board of Directors and an affiliated organization contributed to the Seminar unconditional gifts in the amount of $862,570 and $754,187, respectively, and are included in individual and foundation revenue in the consolidated statements of activities. As December 31, 2013 and 2012, pledge receivables related to these unconditional gifts were $310,849 and $252,709, respectively (see Note 4).

The Seminar entered into a foreign currency derivative contract with Raiffeisenverband Salzburg ("RVS") (see Note 12). RVS is a shareholder of Raiffeisen Zentralbank Osterreich AG ("RZB"). The chairman of the supervisory board of RZB was a member of the Board of Directors of the Seminar during 2012. His term ended in December 2012.

Note 12 - Foreign currency derivatives

Salzburg Global Seminar enters into foreign currency derivatives to reduce the short-term effects of foreign currency fluctuations on its foreign currency cash flow requirements. A larger percentage of the organization's expenses are denominated in Euros than its revenues and as a result, the organization is subject to increases in cash outflows if the U.S. dollar ("USD") weakens against the Euro ("EUR"). The Seminar also principally enters into derivative contracts that allow it to participate in the strengthening of the USD at the time the contracts are executed.

During 2013, the Seminar through its operations in Austria, entered into foreign currency forward contracts with RVS in contracted amounts of €20,000 to €100,000 for a total of €1,070,000 in forward contracts. The contracts expired in 2013 at rates from 1.29 to 1.38 USD/EUR. During 2013, these forward contracts were executed and a realized gain of $25,680 is included in other income in the consolidated statements of activities.

During 2012, the Seminar, through its operations in Austria, entered into foreign currency forward contracts with RVS in contracted amounts of €50,000 for a total of €600,000 in forward contracts. The contracts expired in 2013 at rates from 1.22 to 1.25 USD/EUR. The fair value of the foreign currency forward contracts is an asset of $55,659 as of December 31, 2012 and is included in accounts receivable and other assets. During 2013, these forward contracts were executed and a realized gain of $1,196 is included in other income in the consolidated statements of activities.

During 2011, the Seminar, through its operations in Austria, entered into foreign currency forward contracts with RVS in contracted amounts of €100,000 and €50,000 for a total of €1,500,000 in forward contracts. The contracts expired in 2012 at rates of 1.33 and 1.35 USD/EUR. During 2012, the forward contracts were executed and a realized gain of $69,852 is included in other income in the consolidated statements of activities.

Note 13 - Fair value measurement

The Seminar has adopted accounting guidance establishing a framework for measuring fair value and expanding disclosures regarding related fair value measurements for its financial assets and liabilities. The guidance emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability.

The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Seminar. Unobservable inputs are inputs that reflect the Seminar's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is measured in three levels based on the reliability of inputs:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the assets or liabilities.

Level 3 - Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the fair value of assets measured on a recurring basis at December 31, 2013:

	Level 1	Level 2	Net balance
Cash and cash equivalents	$ 304,764	$ -	$ 304,764
Mutual funds in the United States	12,628,302	-	12,628,302
Mutual funds and bonds in Austria	5,983,446	-	5,983,446
Total	$ 18,916,512	$ -	$ 18,916,512

The following table presents the fair value of assets and liabilities measured on a recurring basis at December 31, 2012:

	Level 1	Level 2	Net balance
Cash and cash equivalents	$ 320,063	$ -	$ 320,063
Mutual funds in the United States	11,679,847	-	11,679,847
Mutual funds and bonds in Austria	5,747,722	-	5,747,722
Foreign currency exchange forward contracts	-	55,659	55,659
Total	$ 17,747,632	$ 55,659	$ 17,803,291

Note 14 - Contingency

The Seminar recognizes grant revenue from government agencies based on actual costs incurred and reimbursable expenses from the granting agencies. These costs are subject to review by the officials of the European Union and U.S. government, and ultimate realization of revenue recognized is contingent upon the outcome of such review. In the opinion of management, adequate provisions have been made in the accompanying financial statements for adjustments, if any, which may result from review.

Note 15 - Subsequent events

Events that occur after the balance sheet date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. Management evaluated the activity of the Seminar through May 21, 2014 (the date the consolidated financial statements were available to be issued) and concluded the following subsequent event requires disclosure in the notes to the consolidated financial statements.

On April 28, 2014, the maturity date on the $500,000 bridge loan payable to a board member was extended to May 13, 2016.