Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2019 and 2018

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Salzburg Global Seminar, Inc. and Subsidiary

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Independent Auditor's Report

To the Board of Directors
Salzburg Global Seminar, Inc.

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, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Salzburg Global Seminar, Inc. and Subsidiary as of December 31, 2019 and 2018, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on 2018 Summarized Comparative Information

We have previously audited the Seminar's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated audited financial statements in our report dated August 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CohnReznick LLP

Bethesda, Maryland
July 7, 2020

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2019 and 2018

Assets

	2019	2018
Cash and cash equivalents	$ 1,634,199	$ 741,984
Accounts receivable and other assets	731,130	656,206
Pledges receivable, net of discount	854,337	2,405,736
Investments ($11,116,110 and $10,394,558 pledged as collateral for loans as of December 31, 2019 and 2018, respectively)	18,736,447	15,640,799
Property and equipment, net	5,082,986	5,194,609
Total assets	$ 27,039,099	$ 24,639,334

Liabilities and Net Assets

	2019	2018
Liabilities		
Accounts payable and accrued liabilities	$ 1,860,012	$ 1,850,758
Deferred revenue	610,852	-
Line of credit	3,029,610	3,222,989
Bank overdraft facilities	6,678,308	6,593,009
Notes payable, net	4,971,907	5,459,124
Total liabilities	17,150,689	17,125,880
Net assets (deficit)		
Without donor restrictions	(9,903,670)	(11,999,727)
With donor restrictions	19,792,080	19,513,181
Total net assets	9,888,410	7,513,454
Total liabilities and net assets	$ 27,039,099	$ 24,639,334

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Without donor restrictions	With donor restrictions	2019	2018
Revenues				
Individual	$ 1,516,829	$ 1,194,218	$ 2,711,047	$ 2,689,085
Corporate	75,000	-	75,000	139,778
Foundation	1,431,950	1,099,995	2,531,945	2,609,059
Government	16,756	-	16,756	46,029
Participant funded tuition	521,745	-	521,745	223,855
Hotel	3,387,613	-	3,387,613	3,585,147
Investment return	719,241	2,014,600	2,733,841	(1,210,914)
Other income	163,068	-	163,068	182,211
Net assets released from restriction and reclassification	4,029,914	(4,029,914)	-	-
Total revenues	11,862,116	278,899	12,141,015	8,264,250
Expenses				
Educational programs and projects	2,992,742	-	2,992,742	2,717,475
Hotel	4,209,314	-	4,209,314	4,297,763
Management and general	2,098,959	-	2,098,959	2,561,121
Fundraising and reporting	481,039	-	481,039	449,965
Total expenses	9,782,054	-	9,782,054	10,026,324
Change in net assets before other loss and adjustments	2,080,062	278,899	2,358,961	(1,762,074)
Other loss				
Net foreign currency transaction loss	(1,316,385)	-	(1,316,385)	(1,073,648)
Foreign currency exchange loss on loans	(18,562)	-	(18,562)	(30,844)
Total other loss	(1,334,947)	-	(1,334,947)	(1,104,492)
Change in net assets before foreign currency translation adjustments	745,115	278,899	1,024,014	(2,866,566)
Foreign currency translation adjustments	1,350,942	-	1,350,942	1,202,050
Change in net assets	2,096,057	278,899	2,374,956	(1,664,516)
Net assets (deficit) at beginning	(11,999,727)	19,513,181	7,513,454	9,177,970
Net assets (deficit) at end	$ (9,903,670)	$ 19,792,080	$ 9,888,410	$ 7,513,454

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	2018
Revenues			
Individual	$ 2,257,032	$ 432,053	$ 2,689,085
Corporate	139,778	-	139,778
Foundation	894,432	1,714,627	2,609,059
Government	46,029	-	46,029
Participant funded tuition	223,855	-	223,855
Hotel	3,585,147	-	3,585,147
Investment return	(347,947)	(862,967)	(1,210,914)
Other income	182,211	-	182,211
Net assets released from restriction and reclassification	5,333,217	(5,333,217)	-
Total revenues	12,313,754	(4,049,504)	8,264,250
Expenses			
Educational programs and projects	2,717,475	-	2,717,475
Hotel	4,297,763	-	4,297,763
Management and general	2,561,121	-	2,561,121
Fundraising and reporting	449,965	-	449,965
Total expenses	10,026,324	-	10,026,324
Change in net assets before other loss and adjustments	2,287,430	(4,049,504)	(1,762,074)
Other loss			
Net foreign currency transaction loss	(1,073,648)	-	(1,073,648)
Foreign currency exchange loss loans	(30,844)	-	(30,844)
Total other loss	(1,104,492)	-	(1,104,492)
Change in net assets before foreign currency translation adjustments	1,182,938	(4,049,504)	(2,866,566)
Foreign currency translation adjustments	1,202,050	-	1,202,050
Change in net assets	2,384,988	(4,049,504)	(1,664,516)
Net assets (deficit) at beginning	(14,384,715)	23,562,685	9,177,970
Net assets (deficit) at end	$ (11,999,727)	$ 19,513,181	$ 7,513,454

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(with Summarized Comparative Financial Information for Year Ended December 31, 2018)

	Educational programs and projects	Hotel	Management and general	Fundraising and reporting	Total	2018 Total
Expenses						
Wages and benefits	$ 1,642,592	$ 2,138,662	$ 965,644	$ 374,769	$ 5,121,667	$ 5,221,335
Hotel	-	1,089,813	-	-	1,089,813	1,123,213
Professional fees	433,399	128,080	290,156	20,339	871,974	816,738
Travel	477,392	32,667	81,417	47,505	638,981	588,437
Miscellaneous	228,674	322,980	201,285	11,028	763,967	768,878
Depreciation	-	308,534	110,343	-	418,877	470,240
Interest and bank fees	-	90,997	322,619	-	413,616	482,832
Office	210,685	48,596	107,564	27,398	394,243	428,886
Property taxes and other taxes	-	48,985	19,931	-	68,916	125,765
Total expenses	$ 2,992,742	$ 4,209,314	$ 2,098,959	$ 481,039	$ 9,782,054	$ 10,026,324

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Educational programs and projects	Hotel	Management and general	Fundraising and reporting	Total
Expenses					
Wages and benefits	$ 1,706,479	$ 2,287,913	$ 849,671	$ 377,272	$ 5,221,335
Hotel	-	1,123,213	-	-	1,123,213
Professional fees	300,877	159,568	342,046	14,247	816,738
Travel	462,587	35,227	74,967	15,656	588,437
Miscellaneous	79,769	142,414	536,371	10,324	768,878
Depreciation	-	344,777	125,463	-	470,240
Interest and bank fees	-	89,236	393,596	-	482,832
Office	167,763	64,081	164,576	32,466	428,886
Property taxes and other taxes	-	51,334	74,431	-	125,765
Total expenses	$ 2,717,475	$ 4,297,763	$ 2,561,121	$ 449,965	$ 10,026,324

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 2,374,956	$ (1,664,516)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	418,877	470,240
Amortization of debt issuance costs	6,527	7,490
Realized and unrealized (appreciation) depreciation of investments	(2,198,640)	1,638,787
Foreign currency translation adjustments	(1,350,942)	(1,202,050)
Foreign currency transaction loss	1,316,385	1,073,648
Foreign currency loss on long-term debt	18,562	30,844
Forgiveness of debt	(88,883)	(175,000)
Loss on disposal	409	613
Bad debt	5,000	-
Contributions restricted for long-term investment	(371,424)	(428,298)
Interest and dividends restricted for long-term investment	(13,701)	(19,980)
Changes in cash based on change in		
Pledges receivable	1,551,399	2,306,195
Accounts receivable and other assets	(92,938)	(111,752)
Accounts payable and accrued liabilities	46,310	(71,997)
Deferred revenue	610,852	-
Net cash provided by operating activities	2,232,749	1,854,224
Cash flows from investing activities		
Purchase of investments	(1,375,076)	(2,983,093)
Proceeds from sales of investments	377,547	3,915,441
Purchase of property and equipment	(420,174)	(1,170,356)
Net cash used in investing activities	(1,417,703)	(238,008)
Cash flows from financing activities		
Contributions, interest and dividends restricted for long-term investment	385,125	448,278
Payments on line of credit	(193,379)	(1,326,866)
Change in bank overdraft facility	235,132	(381,953)
Payments on notes payable, net	(311,658)	(611,299)
Net cash provided by (used in) financing activities	115,220	(1,871,840)
Effect of exchange rates on cash	(38,051)	(15,337)
Net increase (decrease) in cash and cash equivalents	892,215	(270,961)
Cash and cash equivalents at beginning	741,984	1,012,945
Cash and cash equivalents at end	$ 1,634,199	$ 741,984
Supplemental data		
Interest paid	$ 363,301	$ 446,484

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

Change in accounting principles

For the year ended December 31, 2019, the Seminar adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Seminar expects to be entitled in exchange for those goods or services. The new standard did not have a material effect on the timing of the Seminar's revenue recognition for the year December 31, 2019.

For the year ended December 31, 2019, the Seminar adopted FASB's ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The implementation of the new standard resulted in the Seminar recording deferred revenue of $610,852 as of December 31, 2019.

For the year ended December 31, 2019, the Seminar adopted FASB's ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate NAV per Share (or Its Equivalent).* Under the guidance, investments measured at net asset value ("NAV"), as a practical expedient for fair value, are excluded from the fair value hierarchy. Removing investments measured using the practical expedient from the fair value hierarchy is intended to eliminate the diversity in practice that currently exists with respect to the categorization of these investments.

For the year ended December 31, 2018, the Seminar adopted the provision of FASB's ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14").

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, revenues, expenses, gains and losses into two categories, based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the Seminar are classified and defined as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions

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. Net assets with donor restrictions also reflect 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. For the years ended December 31, 2019 and 2018, no bad debt for accounts receivable was recognized.

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, 2019 and 2018, 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. For the years ended December 31, 2019 and 2018, bad debt expense for pledges receivable was $5,000 and $0, respectively.

Investments
Investments in equity and debt securities are reported at fair value. Investment return includes interest and dividends, realized gains or losses, and changes in unrealized appreciation (depreciation) and is presented in the consolidated statements of activities based on donor restrictions. Realized gains/losses and changes in unrealized appreciation (depreciation) are added to or deducted from net assets without donor restrictions and net assets with donor restrictions, 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 and is 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, 2019 and 2018.

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 2002 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 10).

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

Revenue recognition

Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Seminar must overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Seminar fails to overcome the barrier. Any funding received prior to overcoming the barrier is recognized as a refundable advance. At December 31, 2019 and 2018, the Seminar had no refundable advances.

Contributions received to fund specific seminars are included in revenue when received or pledged. Gifts of cash and other noncapital assets are reported as revenue with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

Gifts of cash and pledges to be invested in property and equipment are reported as net assets with donor restrictions until the property and equipment are placed in service.

Donor restricted contributions and gifts received and expended for the restricted purpose of the contribution and gifts in the same fiscal year are recorded as without donor restrictions. Donated noncash assets are recorded at estimated fair value on the date of the gift.

Grant revenues are recognized as the terms of the grants are met and are included in foundation revenue and government revenue on the consolidated statements of activities. Grant revenues received prior to fulfilling the commitments under the terms of the grant are recorded as deferred revenue.

Participant funded tuition is income from the seminar sessions held by the Seminar. This income is recognized when the sessions occur.

Revenues from operations of the hotels are recognized when goods and services are provided and the performance obligations are satisfied, net of any sales, occupancy, or other similar taxes collected from customers. Hotel revenue on the consolidated statements of activities consist of room sales, food and beverage sales, and meeting and conference revenue.

Room revenue is generated through short-term contracts with customers whereby customers agree to pay a daily rate for the right to use hotel rooms for one or more nights. The Seminar's performance obligations are fulfilled at the end of each night that the customers are provided the rooms and room revenue is recognized daily at the contract rate in effect for each room night.

Food and beverage revenue is generated when customers agree to pay for food and beverage at the hotel or for banquet and catering services at the hotel. The Seminar's performance obligations are fulfilled at the time that the food and beverage is provided or when the banquet facilities and related dining and other amenities (e.g., audio visual services) are provided.

Foreign currency translation and transactions

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 other income (expense) as foreign currency transaction gains and losses. The functional currency of the Austrian operation is the Euro. The year-end rate used for financial position conversion as of December 31, 2019 and 2018 was 1.1217 and 1.1467, respectively. The weighted average rate used for conversion of the activities during 2019 and 2018 was 1.1194 and 1.1805, respectively.

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, 2019 and 2018.

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 2016 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.

Economic dependency

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.

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

Debt financing costs and amortization

Debt issuance costs, net of accumulated amortization are reported as a direct deduction from the face amount of the notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Leases

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. Base rent is recognized monthly using the straight-line method. Straight-line rent in excess of actual billings is classified as deferred rent.

Functional allocation of expenses
The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Costs incurred by a program service or supporting service are charged directly to that service. Other management and general administrative expenses are allocated to the various functional categories based on the total expenses of the various departments compared to total expenses.

Note 2 - Liquidity and availability of resources

As of December 31, 2019 and 2018, financial assets and liquidity resources available in one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, are as follows:

	2019	2018
Financial assets		
Cash and cash equivalents	$ 1,634,199	$ 741,984
Accounts receivable	621,808	537,742
Pledges receivable	854,337	2,405,736
Investments	18,736,447	15,640,799
	21,846,791	19,326,261
Less those unavailable for contractual or donor-imposed restrictions		
Endowment fund	(17,742,322)	(16,294,195)
Add back: next year endowment payout	900,000	950,000
Other donor restrictions	(2,049,758)	(3,218,986)
Add back: amounts available not subject to donor-specified expenditures in the following year	882,342	1,060,000
	(18,009,738)	(17,503,181)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,837,053	$ 1,823,080

The Seminar maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and obligations come due. The primary sources of support are contributions and income from investing its endowment. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded the majority of the annual program and supporting activities, with the remainder funded by investment income without donor restrictions and fundraising efforts that are held for the purpose of supporting the Seminar's budget.

To help manage unanticipated liquidity needs, the Seminar has an established a line of credit with an available credit of $1,580,000 as of December 31, 2019, which it could draw upon (see Note 8).

Note 3 - Net assets (deficit)

As of December 31, 2019 and 2018, the Seminar's net assets (deficit) without donor restrictions consist of the following:

	2019	2018
Without donor restrictions	$ (18,187,981)	$ (18,933,096)
Cumulative translation adjustments	8,284,311	6,933,369
	$ (9,903,670)	$ (11,999,727)

As of December 31, 2019 and 2018, the Seminar's net assets with donor restrictions consist of the following:

	2019	2018
Purpose		
Accelerator program	$ 119,870	$ 397,819
Apex program	15,000	15,000
Challenge program	1,648,507	1,055,211
Scholarship	79,504	96,026
Hotel	177,040	654,930
Endowment income	2,450,049	1,373,346
Time		
General administration	9,837	1,000,000
	4,499,807	4,592,332
Net assets with donor restrictions - perpetual restrictions	15,292,273	14,920,849
Net assets with donor restrictions	$ 19,792,080	$ 19,513,181

During 2019 and 2018, the Seminar's net assets released from restrictions consist of the following:

	2019	2018
Purpose		
Accelerator program	$ 397,819	$ 632,807
Apex program	15,000	395,125
Challenge program	1,049,557	1,953,869
Scholarship	96,026	222,127
Hotel	533,615	189
Endowment income	937,897	950,000
Time		
General administration	1,000,000	1,179,100
	$ 4,029,914	$ 5,333,217

In a prior year, the Seminar received a $10 million gift from a foundation, of which $5 million was classified as net assets with donor restrictions and held in perpetuity and $5 million was classified as net assets with donor restrictions. When the Seminar raises $10 million in matching endowment gifts, the $5 million of net assets with donor restrictions will be reclassified to net assets with donor restrictions and held in perpetuity. Matching endowment gifts also consist of the future value of unconditional and conditional gifts, including bequests and other conditional gifts. As of December 31, 2019 and 2018, the Seminar reported approximately $5.7 million of matching endowment gifts toward the $10 million goal.

Included in the net assets with donor restrictions 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 2019 and 2018, $133,517 and $111,541, respectively, of investment return was used for grant purposes and administrative expense in accordance with the Agreement.

Note 4 - 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 net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 retained in perpetuity, is subject to appropriation 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 ended December 31, 2019 and 2018, consisted of the following:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2019	$ (1,217,744)	$ 16,294,195	$ 15,076,451
Investment return	-	2,014,600	2,014,600
Contributions	-	371,424	371,424
Net assets released from restriction and reclassification	-	(937,897)	(937,897)
Changes - foreign currency translation and transactions	(348,650)	-	(348,650)
Change in endowment net assets	(348,650)	1,448,127	1,099,477
Endowment net assets, December 31, 2019	$ (1,566,394)	$ 17,742,322	$ 16,175,928

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2018	$ (760,708)	$ 17,678,864	$ 16,918,156
Investment return	-	(862,967)	(862,967)
Contributions	-	428,298	428,298
Net assets released from restriction and reclassification	-	(950,000)	(950,000)
Changes - foreign currency translation and transactions	(457,036)	-	(457,036)
Change in endowment net assets	(457,036)	(1,384,669)	(1,841,705)
Endowment net assets, December 31, 2018	$ (1,217,744)	$ 16,294,195	$ 15,076,451

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. At December 31, 2019, funds with original gift values of $2,874,299, fair values of $2,321,423 and deficiencies of $552,876 were reported in net assets with donor restrictions. At December 31, 2018, funds with original gift values of $3,167,111, fair values of $2,583,721 and deficiencies of $583,390 were reported in net assets with donor restrictions.

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 2019 and 2018, the difference between interest income and dividends and the total amount spent under the policy funded by endowment corpus was $501,114 and $587,661, respectively.

Note 5 - Pledges receivable

Pledges outstanding at December 31, 2019 and 2018, are summarized as follows:

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	$ 525,381	$ 2,098,643
One year to five years	331,000	318,000
Total gross pledges	856,381	2,416,643
Less: Discount to present value	(2,044)	(10,907)
Total pledges, net	$ 854,337	$ 2,405,736

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.

Note 6 - Investments

Investments at December 31, 2019 and 2018, consisted of the following:

	2019	2018
Money market	$ 835,458	$ 422,797
Equity securities	4,997,276	4,107,530
Mutual funds - equity	10,285,864	8,580,763
Mutual funds - fixed income	422,369	399,780
Exchange traded funds	234,674	202,536
Fixed income securities	1,737,295	1,716,241
Hedge funds	223,511	211,152
Total fair value of investments	$ 18,736,447	$ 15,640,799

Money market funds represent money market instruments which are invested in U.S. dollars and Euros.

Hedge funds held in the United States consist of a private equity fund that invests in hedge funds.

Total investment return for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest income and dividends	$ 535,201	$ 427,873
Realized gain	229,280	233,078
Unrealized gain (loss), net	1,969,360	(1,871,865)
Total investment return	$ 2,733,841	$ (1,210,914)

Investment fees amounted to $40,764 and $42,240 for the years ended December 31, 2019 and 2018, respectively. Total investment return is net of investment fees.

Note 7 - Property and equipment

Property and equipment at December 31, 2019 and 2018, consisted of the following:

	Estimated useful life in years	2019	2018
Land		$ 156,241	$ 159,723
Buildings			
Schloss Leopoldskron	10 - 50	3,031,308	3,148,011
Meierhof	10 - 50	9,004,113	8,856,427
Equipment	4 - 10	1,035,297	1,030,506
Leasehold improvements	8	24,527	24,527
		13,251,486	13,219,194
Less accumulated depreciation		(8,168,500)	(8,024,585)
Property and equipment, net		$ 5,082,986	$ 5,194,609

A component of the net change in fixed assets from December 31, 2019 and 2018 is the effect of foreign currency translation (see Note 1).

Note 8 - Notes payable and line of credit

Notes payable at December 31, 2019 and 2018, consisted of the following:

	2019	2018
Note payable (denominated in Euros) to an Austrian bank with principal and interest payments through 2020. Interest is at the Euribor rate plus 1.5% (1.5% at December 31, 2019 and 2018). The loan is collateralized by investments and real estate in Austria.*	$ 2,859,774	$ 3,038,182
Note payable (denominated in USD) to an Austrian bank with principal and interest payments through 2025. Interest is at refinancing interest rate plus 1.625% (3.875% at December 31, 2019 and 4.0% at December 31, 2018). The loan is collateralized by investments and real estate in Austria.*	832,486	982,486
Note payable (denominated in Euros) to an Austrian bank with interest payments through 2025. Interest is at a fixed rate of 2.35% as of 2019. The loan is collateralized by investments and real estate in Austria.*	1,163,011	1,188,932

	2019	2018
Unamortized debt costs, related to note payable (denominated in USD), amortized using an imputed rate of 2.75%.	(32,194)	(38,721)
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 2019. The loans are guaranteed by another board member with no recourse to the Seminar.	-	225,000
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 2020. The loans are guaranteed by another board member with no recourse to the Seminar.	120,000	63,245
Notes payable to board member with interest, accrued at a rate of 1.00% per annum. Principal and accrued interest are due at maturity in 2022. The loan is guaranteed by another board member with no recourse to the Seminar.	28,830	-
	$ 4,971,907	$ 5,459,124

* These loans are collateralized by mutual funds and bonds in Austria with a value of $5,073,967 and $4,659,266 for the years ended December 31, 2019 and 2018, respectively.

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

2020	$ 285,543
2021	2,981,731
2022	178,830
2023	150,000
2024	150,000
Thereafter	1,257,997
	$ 5,004,101

Subsequent to December 31, 2019, the note payable with an Austrian bank due in 2020 was extended through June 30, 2021.

Subsequent to December 31, 2019, the Seminar made principal payments of $0 on the notes payable to board members as of July 7, 2020.

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% (3.60% and 3.40% at December 31, 2019 and 2018, respectively) and is collateralized by certain underlying securities in the amount of $6,042,143 and $5,735,292 as of December 31, 2019 and 2018, respectively. The balance on the line of credit was $3,029,610 and $3,222,989 at December 31, 2019 and 2018, respectively. The Agreement has no maturity date.

The Seminar has one overdraft facility in Austria under which it pays interest at a variable rate of positive Euribor plus 1.25% (1.25% and 1.25% at December 31, 2019 and 2018, respectively) with a maturity date of June 30, 2020, and another overdraft facility at positive Euribor plus 1.38% (1.38% and 1.38% at December 31, 2019 and 2018, respectively) with a maturity date of July 5, 2025. At December 31, 2019 and 2018, the overdrafts totaled $6,678,308 and $6,593,009, respectively. The written limits on these overdrafts at December 31, 2019 and 2018 are $7,291,050 and $7,453,550, respectively.

During 2018, notes payable to board members in the amounts of $60,000 and $115,000, which mature in 2018 and 2019, respectively, were forgiven and recorded in individual contributions on the consolidated statements of activities. During 2019, notes payable, including accrued interest, to board members in the amounts of $10,000, $26,273 and $52,610, which mature in 2022, 2019 and 2019, respectively, were forgiven and recorded in individual contributions on the consolidated statements of activities.

Debt issuance costs, net of accumulated amortization totaled $32,194 and $38,721 at December 31, 2019 and 2018, respectively. Debt issuance costs are related to the note payable denominated in dollars and held by an Austrian bank. Debt issuance costs are being amortized at the imputed rate of 2.75%. For the years ended December 31, 2019 and 2018, there was $6,527 and $7,490, respectively, of amortized debt issuance costs included in interest and bank fees in the consolidated statements of functional expenses. Included in the change in accumulated amortization is $12 and ($1,510) of foreign currency effects for the years ended December 31, 2019 and 2018, respectively.

Interest expense totaled $343,653 and $401,899 for the years ended December 31, 2019 and 2018, respectively, and is included in interest and bank fees in the consolidated statements of functional expenses. Accrued interest totaled $8,152 and $11,496 for the years ended December 31, 2019 and 2018, respectively, and is included in accounts payable and accrued liabilities in the consolidated statements of financial position.

Note 9 - Hotel revenue

Hotel revenue on the consolidated statements of activities consists of the following:

	2019	2018
Room	$ 2,415,449	$ 2,451,631
Conference and meeting	542,205	673,897
Food and beverage	429,959	459,619
	$ 3,387,613	$ 3,585,147

Note 10 - Employee benefits

Included in wages and benefits on the consolidated statements of functional expenses is severance pay expense (income) for Austrian employees. The related accrual is included in accounts payable and accrued liabilities in the consolidated statements of financial position.

The following is a schedule that details the activity of the Austrian employees' severance liability:

	2019	2018
Beginning severance accrual	$ 216,497	$ 221,774
Current year provision expense	112	4,243
Foreign currency effect	(4,720)	(9,520)
End severance accrual	$ 211,889	$ 216,497

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 $87,264 and $81,341 in 2019 and 2018, respectively, and is included in wages and benefits in the consolidated statements of functional expenses.

Note 11 - Lease commitments

On June 10, 2015, the Seminar entered into a nine-year sublease agreement for an office suite in Washington, D.C. Rent is paid in monthly installments of $8,312 and escalates each year. For the years ended December 31, 2019 and 2018, straight-line rent in excess of actual billings was $7,663 and $4,152, respectively, and is included in office expense. As of December 31, 2019 and 2018, the Seminar has deferred rent of $63,672 and $71,335, respectively, which is included in accounts payable and accrued liabilities.

The Seminar in Salzburg, Austria entered into various operating leases that include a fire alarm system, telephone system, servers, printers, and copiers. These agreements have lease terms ranging between three and five years.

Minimum future rental payments under these leases as of December 31, 2019, are as follows:

2020	$ 153,536
2021	156,556
2022	159,571
2023	145,296
2024	39,877
Thereafter	1,050
	$ 655,886

Rent paid under these leases amounted to $139,895 and $166,463 in 2019 and 2018, respectively, and is included in office expenses in the consolidated statements of functional expenses.

Note 12 - Related party

The Seminar holds investments in various mutual funds managed by the Capital Group. A senior executive of the Capital Group was a member of the Board of Directors of the Seminar during 2019. 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, 2019 and 2018, are as follows:

	2019	2018
Bond Fund of America	$ 422,368	$ 399,780
Income Fund of America	1,519,248	1,361,634
Euro Pacific Growth Fund	1,342,031	1,082,961
Capital Income Builder Fund	6,339,268	6,034,595
	$ 9,622,915	$ 8,878,970

During 2019 and 2018, the Seminar received loan financing from members of the Board of Directors (see Note 8).

During 2019 and 2018, members of the Board of Directors and an affiliated organization contributed to the Seminar unconditional gifts in the amount of $2,430,759 and $2,566,097, respectively, which are included in individual, foundation, and participant funded tuition revenue in the consolidated statements of activities. During 2019 and 2018, notes payable to board members in the amounts of $88,883 and $175,000, respectively, were forgiven (see Note 8) and are included in these unconditional gifts. As of December 31, 2019 and 2018, pledge receivables related to these unconditional gifts were $61,000 and $1,059,691, respectively, (see Note 5).

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 fair values of investments are based on either quoted market prices per share, observable data such as ongoing redemption and subscription activity, or net asset values per share provided by investment managers.

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.

Under ASU 2015-07, investments that are measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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 and liabilities measured on a recurring basis at December 31, 2019:

	Total	Net asset value	Level 1	Level 2	Level 3
Money market	$ 835,458	$ -	$ 835,458	$ -	$ -
Equity securities	4,997,276	-	4,997,276	-	-
Mutual funds - equity	10,285,864	-	10,285,864	-	-
Mutual funds - fixed income	422,369	-	422,369	-	-
Exchange traded funds	234,674	-	234,674	-	-
Fixed income securities	1,737,295	-	1,737,295	-	-
Hedge funds	223,511	223,511	-	-	-
Total	$ 18,736,447	$ 223,511	$ 18,512,936	$ -	$ -

The following table presents the fair value of assets measured on a recurring basis at December 31, 2018:

	Total	Net asset value	Level 1	Level 2	Level 3
Money market	$ 422,797	$ -	$ 422,797	$ -	$ -
Equity securities	4,107,530	-	4,107,530	-	-
Mutual funds - equity	8,580,763	-	8,580,763	-	-
Mutual funds - fixed income	399,780	-	399,780	-	-
Exchange traded funds	202,536	-	202,536	-	-
Fixed income securities	1,716,241	-	1,716,241	-	-
Hedge funds in the United	211,152	211,152	-	-	-
Total	$ 15,640,799	$ 211,152	$ 15,429,647	$ -	$ -

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 consolidated financial statements for adjustments, if any, which may result from review.

Note 15 - Subsequent events

Events that occur after the consolidated statement of financial position 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 July 7, 2020 (the date the consolidated financial statements were available to be issued) and concluded the following subsequent events (other than those that have been disclosed in Note 8) be disclosed in the notes to the consolidated financial statements.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities significantly constraining the Seminar's ability to generate hotel and program revenue. The significant reduction in income caused by COVID-19 has resulted in a loss of income and other material adverse effects to the Seminar's financial position, results of operations, and cash flows. The Seminar is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to suspend or reduce spending for certain programs and adjust its operations accordingly, including taking cost savings measures. If the length of the outbreak and related effects on the Seminar's operations continues for an extended period, the Seminar may seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Seminar is unable to continue as a going concern.

In April 2020, the Seminar obtained an Austrian government subsidy of approximately $816,000. The program, Kurzarbeit, is an Austrian government temporary employment program which will run through September 15, 2020. The subsidy intends to keep employees employed at the Seminar and does not have to be repaid.

On May 1, 2020, the Seminar obtained a promissory note of $175,917 from its bank under the Small Business Administration's ("SBA") Paycheck Protection Program that is part of the CARES Act stimulus relief. The note bears interest at 1 percent and requires monthly payments of principal and interest on the outstanding principal balance, unless otherwise forgiven in whole or part by SBA under the CARES Act. The terms of the promissory note are subject to change based on final regulations issued.

In June 2020, the Seminar secured a loan via the Austrian Tourism Bank of approximately $550,000. The loan remains interest free for the first two years, and after that time period, interest is charged at a rate of 1 percent.

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