Salzburg Global Seminar, Inc.
and Subsidiary

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2016 and 2015

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

Salzburg Global Seminar, Inc. and Subsidiary

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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, 2016 and 2015, 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 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. 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 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, 2016 and 2015, 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.

Restatement

As discussed in Note 15 to the financial statements, certain errors resulting in reclassifications of net assets previously reported related to the accounting for endowment assets and related spending and translation adjustments were discovered during the year ended December 31, 2016. Accordingly, the beginning net asset balance for the year ended December 31, 2015 has been restated. Our opinion is not modified with respect to this matter.

CohnReznick LLP

Bethesda, Maryland
June 13, 2017

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2016 and 2015

Assets

	2016	2015 as restated
Cash and cash equivalents	$ 1,258,948	$ 969,302
Accounts receivable and other assets	605,358	598,365
Pledges receivable, net of discount	1,172,583	768,685
Investments ($11,295,557 and $11,940,711 pledged as collateral for loans as of December 31, 2016 and 2015, respectively)	16,365,708	16,883,189
Property and equipment, net	3,983,827	4,348,614
Total assets	$ 23,386,424	$ 23,568,155

Liabilities and Net Assets (Deficit)

	2016	2015 as restated
Liabilities		
Accounts payable and accrued liabilities	$ 1,590,321	$ 1,541,853
Line of credit	5,404,327	5,616,842
Bank overdraft facility	6,364,074	6,505,112
Notes payable, net	7,003,136	7,825,943
Total liabilities	20,361,858	21,489,750
Net assets (deficit)		
Unrestricted	(15,812,195)	(16,652,521)
Temporarily restricted	4,423,462	4,426,499
Permanently restricted	14,413,299	14,304,427
Total net assets	3,024,566	2,078,405
Total liabilities and net assets	$ 23,386,424	$ 23,568,155

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Activities
Year Ended December 31, 2016
(With comparative totals for 2015)

	Unrestricted	Temporarily restricted	Permanently restricted	2016	2015
Revenues					
Individual	$ 1,296,280	$ 1,082,669	$ 100,000	$ 2,478,949	$ 1,122,621
Corporate	-	-	-	-	33,750
Foundation	1,266,407	947,335	1,455	2,215,197	1,476,812
Government	7,763	-	-	7,763	149,856
Participant funded tuition	523,022	-	-	523,022	1,360,050
Hotel	3,254,964	-	-	3,254,964	2,592,475
Investment return	-	594,256	7,417	601,673	(193,751)
Other income	155,287	-	-	155,287	126,587
Net assets released from restriction and reclassification	2,627,297	(2,627,297)	-	-	-
Total revenues	9,131,020	(3,037)	108,872	9,236,855	6,668,400
Expenses					
Wages and benefits	4,220,329	-	-	4,220,329	4,227,102
Hotel	1,002,157	-	-	1,002,157	969,917
Professional fees	800,030	-	-	800,030	805,246
Travel	460,554	-	-	460,554	517,629
Miscellaneous	641,568	-	-	641,568	677,870
Depreciation	387,082	-	-	387,082	373,528
Interest and bank fees	400,864	-	-	400,864	391,142
Office	356,708	-	-	356,708	356,395
Taxes	70,769	-	-	70,769	54,574
Total expenses	8,340,061	-	-	8,340,061	8,373,403
Change in net assets before other income (loss) and adjustments	790,959	(3,037)	108,872	896,794	(1,705,003)
Other income (loss)					
Net foreign currency transaction (loss) gain	(1,622,656)	-	-	(1,622,656)	(1,408,348)
Unrealized / realized (loss) gain on hedging contracts	-	-	-	-	(241,456)
Foreign currency exchange (loss) gain on loans	(82,162)	-	-	(82,162)	(289,384)
Total other income (loss)	(1,704,818)	-	-	(1,704,818)	(1,939,188)
Change in net assets before foreign currency translation adjustments	(913,859)	(3,037)	108,872	(808,024)	(3,644,191)
Foreign currency translation adjustments	1,754,185	-	-	1,754,185	1,724,046
Change in net assets	840,326	(3,037)	108,872	946,161	(1,920,145)
Net assets (deficit) at beginning of year	(16,652,521)	4,426,499	14,304,427	2,078,405	3,998,550
Net assets (deficit) at end of year	$ (15,812,195)	$ 4,423,462	$ 14,413,299	$ 3,024,566	$ 2,078,405

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Activities
Year Ended December 31, 2015

	Unrestricted as restated	Temporarily restricted as restated	Permanently restricted as restated	2015
Revenues				
Individual	$ 820,690	$ 301,931	$ -	$ 1,122,621
Corporate	33,250	500	-	33,750
Foundation	890,053	581,348	5,411	1,476,812
Government	78,848	71,008	-	149,856
Participant funded tuition	1,360,050	-	-	1,360,050
Hotel	2,592,475	-	-	2,592,475
Investment return	-	(211,684)	17,933	(193,751)
Other income	126,587	-	-	126,587
Net assets released from restriction and reclassification	2,130,944	(2,130,944)	-	-
Total revenues	8,032,897	(1,387,841)	23,344	6,668,400
Expenses				
Wages and benefits	4,227,102	-	-	4,227,102
Hotel	969,917	-	-	969,917
Professional fees	805,246	-	-	805,246
Travel	517,629	-	-	517,629
Miscellaneous	677,870	-	-	677,870
Depreciation	373,528	-	-	373,528
Interest and bank fees	391,142	-	-	391,142
Office	356,395	-	-	356,395
Taxes	54,574	-	-	54,574
Total expenses	8,373,403	-	-	8,373,403
Change in net assets before other income (loss) and adjustments	(340,506)	(1,387,841)	23,344	(1,705,003)
Other income				
Net foreign currency transaction (loss) gain	(1,403,545)	(4,803)	-	(1,408,348)
Unrealized / realized loss on hedging contracts	(241,456)	-	-	(241,456)
Foreign currency exchange loss on loans	(289,384)	-	-	(289,384)
Total other income	(1,934,385)	(4,803)	-	(1,939,188)
Change in net assets before foreign currency translation adjustments	(2,274,891)	(1,392,644)	23,344	(3,644,191)
Foreign currency translation adjustments	1,724,046	-	-	1,724,046
Change in net assets as restated	(550,845)	(1,392,644)	23,344	(1,920,145)
Net assets (deficit) at beginning of year as restated (see Note 15)	(16,101,676)	5,819,143	14,281,083	3,998,550
Net assets (deficit) at end of year	$ (16,652,521)	$ 4,426,499	$ 14,304,427	$ 2,078,405

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 946,161	$ (1,920,145)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	387,082	373,528
Amortization of debt issuance costs	7,089	7,089
Realized and unrealized depreciation (appreciation) of investments	(168,067)	745,421
Foreign currency translation adjustments	(1,754,185)	(1,724,046)
Foreign currency transaction loss (gain)	1,622,656	1,408,348
Foreign currency loss (gain) on long-term debt	82,162	289,384
Forgiveness of debt	(505,000)	(105,000)
Loss (gain) on foreign currency hedging contracts	-	462,959
Fair value adjustment on foreign currency hedging contracts	-	(221,503)
Loss on disposal	1,428	-
Bad debt	-	7,884
Contributions restricted for long-term investment	(101,455)	(5,411)
Releases from restricted long term investment	-	47,941
Interest and dividends restricted for long-term investment	(7,417)	(228,389)
Changes in cash based on change in		
Pledges receivable	(403,898)	511,287
Accounts receivable and other assets	(15,500)	52,156
Accounts payable and accrued liabilities	93,043	(443,066)
Net cash provided by (used in) operating activities	184,099	(741,563)
Cash flows from investing activities		
Purchase of investments	(338,274)	(434,937)
Proceeds from sales of investments	892,224	807,958
Purchase of property and equipment	(154,125)	(252,984)
Net cash provided by investing activities	399,825	120,037
Cash flows from financing activities		
Contributions, interest and dividends restricted for long term investment	108,872	185,859
(Payments) net advances on line of credit	(212,515)	799,616
Change in bank overdraft facility	74,490	458,406
(Payments) proceeds on notes payable, net	(231,783)	(240,153)
Net cash provided by (used in) financing activities	(260,936)	1,203,728
Effect of exchange rates on cash	(33,342)	(75,464)
Net increase in cash and cash equivalents	289,646	506,738
Cash and cash equivalents at beginning of year	969,302	462,564
Cash and cash equivalents at end of year	$ 1,258,948	$ 969,302
Supplemental data		
Interest paid	$ 400,918	$ 365,187

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 principle

During 2016, the Seminar adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which modifies the presentation of debt issuance costs and the related amortization. The change in accounting under ASU 2015-03 improves the reporting of debt issuance costs by no longer reporting them as assets. ASU 2015-03 has been adopted by the Seminar on a retrospective basis. As a result, as of December 31, 2015, $53,400 of debt issuance costs, net of accumulated amortization, related to the Seminar's note payable were reclassified on the balance sheet from other assets to note payable, net. Other than this reclassification, the adoption of ASU 2015-03 did not have a material impact on the Seminar's financial position, results of operations, or cash flows.

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. For the years ended December 31 2016 and 2015, no bad debt 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, 2016 and 2015, 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. 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 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, 2016 and 2015.

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, the severance payment system in place 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 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 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 income from the seminar sessions held by the Seminar. This income is recognized when the sessions occur.

Hotel revenue includes revenue related to overnight guests and other hotel-related revenue, such as events or banquets. This 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 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, 2016 and 2015 was 1.05495 and 1.0906, respectively. The weighted average rate used for conversion of the activities during 2016 and 2015 was 1.10692 and 1.1095, respectively.

Foreign currency derivatives
The Seminar's foreign exchange contracts and options are reported at fair market value and are reported in accounts payable and accrued liabilities. Gains or losses in fair value on forward contracts are recognized in earnings and are included in unrealized / realized gain or loss on hedging contracts on the consolidated statement of operations. No exchange contracts were outstanding as of December 31, 2016 and 2015.

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, 2016 and 2015.

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 2012 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.

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.

New accounting pronouncements

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.* ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes; b) investment return; c) expenses; d) liquidity and availability of resources; and e) presentation of operating cash flows. The new standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, which will be the year beginning on January 1, 2018 for the Seminar, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

Note 2 - Net assets

	2016	2015
Unrestricted		
Unrestricted	$ (21,302,410)	$ (20,388,551)
Cumulative translation adjustments	5,490,215	3,736,030
	$ (15,812,195)	$ (16,652,521)

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 2016 and 2015, there were no pledges or cash contributions qualifying as matching endowment gifts. Matching endowment gifts also consist of the future value of unconditional and conditional gifts, including bequests and other conditional gifts totaling approximately $40,000 and $72,500 as of December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, 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 2016 and 2015, $55,263 and $104,269, 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, 2016 and 2015 consisted of the following:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets January 1, 2016	$ (2,048,190)	$ 3,570,705	$ 14,304,427	$ 15,826,942
Investment return:				
Investment income	-	594,256	7,417	601,673
Net appreciation (realized and unrealized)	-	-	-	-
Total investment return	-	594,256	7,417	601,673
Contributions	-	-	101,455	101,455
Net assets released from restriction and reclassification	-	(938,000)	-	(938,000)
Changes - foreign currency translation and transactions	(174,134)	-	-	(174,134)
Change in net assets under water	(431,241)	431,241	-	-
Change in endowment net assets	(605,375)	87,497	108,872	(409,006)
Endowment net assets, December 31, 2016	$ (2,653,565)	$ 3,658,202	$ 14,413,299	$ 15,417,936

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, January 1, 2015	$ (732,999)	$ 3,589,945	$ 14,281,083	$ 17,138,029
Investment return:				
Investment income	-	533,737	17,933	551,670
Net appreciation (realized and unrealized)	-	(745,421)	-	(745,421)
Total investment return	-	(211,684)	17,933	(193,751)
Contributions	-	-	5,411	5,411
Net assets released from restriction and reclassification	-	(543,338)	-	(543,338)
Changes - foreign currency translation and transactions	(579,409)	-	-	(579,409)
Change in net assets under water	(735,782)	735,782	-	-
Change in endowment net assets	(1,315,191)	(19,240)	23,344	(1,311,087)
Endowment net assets, December 31, 2015	$ (2,048,190)	$ 3,570,705	$ 14,304,427	$ 15,826,942

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. These deficiencies resulted from unfavorable market fluctuations that occurred during the years ending December 31, 2016 and 2015, which is reflected in the unrestricted endowment balance.

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 2016 and 2015, the difference between interest income and dividends and the total amount spent under the policy, funded by endowment corpus was $762,513 and $36,422, respectively.

Note 4 - Pledges receivable

Pledges outstanding at December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Unconditional promises expected to be collected in:		
Less than one year	$ 898,782	$ 713,130
One year to five years	280,418	58,300
Total gross pledges	1,179,200	771,430
Less: Discount to present value	(6,617)	(2,745)
Total pledges, net	$ 1,172,583	$ 768,685

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, 2016 and 2015, pledge receivables of $10,025 and $7,884, respectively, were written off and recorded in miscellaneous expense.

Note 5 - Investments

Investments at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Cash equivalents	$ 344,073	$ 309,257
Mutual funds in the United States	11,674,131	12,022,991
Mutual funds and bonds in Austria	4,153,866	4,359,336
Hedge funds	193,638	191,605
Total fair value of investments	$ 16,365,708	$ 16,883,189

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.

Hedge funds consist of a private equity fund that invests in hedge funds.

Total investment return for the years ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
Interest income and dividends	$ 433,606	$ 551,670
Realized gain	418,725	288,933
Unrealized (loss) gain, net	(250,658)	(1,034,354)
Total investment return	$ 601,673	$ (193,751)

Investment fees amounted to $29,558 and $36,125 for the year ended December 31, 2016 and 2015, respectively. Total investment return is net of investment fees.

Note 6 - Property and equipment

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	Estimated useful life in years	2016	2015
Land		$ 146,943	$ 151,909
Buildings:			
Schloss Leopoldskron	10 - 50	1,536,364	1,551,825
Meierhof	10 - 50	8,126,383	8,382,422
Equipment	4 - 10	790,774	752,472
Construction in progress		24,527	24,527
		10,624,991	10,863,155
Less: Accumulated depreciation		(6,641,164)	(6,514,541)
Property and equipment, net		$ 3,983,827	$ 4,348,614

A component of the net change in fixed assets from December 31, 2016 and 2015 is the effect of foreign currency translation (see Note 1).

Note 7 - Notes payable and line of credit

Notes payable at December 31, 2016 and 2015 consisted of the following:

	2016	2015
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, 2016 and 2015). The loan is collateralized by investments and real estate in Austria. *	$ 3,006,080	$ 3,216,724
Note payable (denominated in USD) to an Austrian bank with principal and interest payments through 2025. Interest is at refinancing interest rate plus 1.75% (2.75% and 2.25% at December 31, 2016 and 2015, respectively). The loan is collateralized by investments and real estate in Austria.*	2,496,767	2,611,019
Unamortized debt costs, related to Note payable (denominated in USD), amortized using an imputed rate of 2.75%.	(46,311)	(53,400)
Bridge loan payable to a board member with interest, accrued at a rate of 2.00% per annum. Principal and accrued interest was due at maturity in 2016. During 2016, the loan was forgiven.	-	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.	226,600	200,000
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 2018. The loans are guaranteed by another board member with no recourse to the Seminar.	775,000	801,600

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.	545,000	550,000
	$ 7,003,136	$ 7,825,943

* These loans are colateralized by mutual funds and bonds in Austria with a value of $4,153,866 and $4,359,336 for the year ended December 31, 2016 and 2015, respectively.

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

2017	$ 446,347
2018	1,108,999
2019	878,999
2020	2,918,099
2021	228,504
Thereafter	1,468,499
	$ 7,049,447

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% (1.86% and 1.62% at December 31, 2016 and 2015, respectively) and is collateralized by certain underlying securities in the amount of $7,141,691 and $7,581,375 as of December 31, 2016 and 2015, respectively. The balance on the line of credit was $5,404,327 and $5,616,842 at December 31, 2016 and 2015, 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, 2016 and 2015, respectively), and another overdraft facility at positive Euribor plus 1.38% (1.38% and 1.38% at December 31, 2016 and 2015, respectively). At December 31, 2016 and 2015, the overdrafts totaled $6,364,074 and $6,505,112, respectively. The written limits on these overdrafts at December 31, 2016 and 2015 are $6,857,175 and $7,088,900, respectively.

During 2015, notes payable to board members in the amounts of $100,000 and $5,000, which mature in 2018 and 2019, respectively, were forgiven and recorded in individual contributions on the consolidated statement of activities. During 2016, notes payable to board members in the amounts of $500,000 and $5,000, which mature in 2016 and 2019, respectively, were forgiven and recorded in individual contributions on the consolidated statement of activities.

Debt issuance costs, net of accumulated amortization totaled $46,311 and $53,400 at December 31, 2016 and 2015, 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 year ended December 31, 2016 and 2015, there was $7,090 and $12,230 respectively of debt issuance costs included in interest expense in the consolidated statement of activities. Included in the change in accumulated amortization is $1,482 and $6,609 of foreign currency effects.

Note 8 - Employee benefits

Included in wages and benefits on the consolidated statement of activities is severance pay income for Austrian employees amounted to $11,870 and $50,731 in 2016 and 2015, respectively. The related accrual at December 31, 2016 and 2015 was $182,401 and $223,028, respectively, and is included in accounts payable and accrued liabilities in the consolidated statements of financial position. Included in the change of related accrual is $5,648 and $70,963 of foreign currency effects, respectively.

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 $42,578 and $42,337 in 2016 and 2015, respectively, and is included in wages and benefits in the consolidated statements of activities.

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

Severance accrual as of December 31, 2015	$	223,028
Current year provision		(11,870)
Severance payments		(23,109)
Foreign currency effect		(5,648)
Severance accrual as of December 31, 2016	$	182,401

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 up to four fellowships for each lease year. During the years ended December 31, 2016 and 2015, $15,000 and $14,670, respectively, was included in tuition income and office expenses in the consolidated statements of activities.

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. 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. Base rent is recognized monthly using the straight-line method. Straight line rent in excess of actual billings is classified as deferred rent. For the years ended December 31, 2016 and 2015, straight line rent in excess of actual billings was $21,637 and $53,608, respectively, and is included in office expense. As of December 31, 2016 and 2015, the Seminar has deferred rent of $75,245 and $53,608, 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 beyond one year.

Minimum future rental payments under these leases as of December 31, 2016 are as follows:

2017	$	141,109
2018		144,914
2019		138,576
2020		129,352
2021		132,300
Thereafter		283,530
	$	969,781

Rent paid under these leases amounted to $129,686 and $79,093 in 2016 and 2015, 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, 2016 and 2015 are as follows:

	2016	2015
Educational programs and projects	$ 3,106,495	$ 3,362,225
Hotel	3,897,983	3,696,327
Management and general	804,238	776,708
Fundraising and reporting	531,345	538,143
	$ 8,340,061	$ 8,373,403

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, 2016 and 2015 are as follows:

	2016	2015
Bond Fund of America	$ 401,934	$ 396,176
Income Fund of America	1,359,714	1,279,341
Euro Pacific Growth Fund	1,056,974	1,081,404
Capital Income Builder Fund	7,151,242	4,322,510
New World Fund A	-	293,323
Washington Mutual Investors Fund	-	2,807,654
	$ 9,969,864	$ 10,180,408

During 2016 and 2015, the Seminar received loan financing from members of the Board (see Note 7).

During 2016 and 2015, members of the Board of Directors and an affiliated organization contributed to the Seminar unconditional gifts in the amount of $1,487,406 and $609,533, respectively, and are included in individual and foundation revenue in the consolidated statements of activities. As of December 31, 2016 and 2015, pledge receivables related to these unconditional gifts were $487,307 and $223,029, respectively (see Note 4).

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 weakens against the Euro.

During 2015, the Seminar through its operations in Austria, entered into foreign currency forward contracts in contracted amounts of €150,000 to €300,000 for a total of €2,475,000 in forward contracts. The contracts were executed during 2015 for a realized loss of $241,456, which is included in unrealized / realized (loss) gain on hedging contracts on the consolidated statement of operations. No foreign currency contracts were entered into during 2016.

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.

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, 2016:

	Level 1	Level 2	Level 3	Net balance
Cash and cash equivalents	$ 344,073	$ -	$ -	$ 344,073
Mutual funds in the United States	11,674,131	-	-	11,674,131
Mutual funds and bonds in Austria	4,153,866	-	-	4,153,866
Hedge funds	-	-	193,638	193,638
Total	$ 16,172,070	$ -	$ 193,638	$ 16,365,708

The following table presents the fair value of assets measured on a recurring basis at December 31, 2015:

	Level 1	Level 2	Level 3	Net balance
Cash and cash equivalents	$ 309,257	$ -	$ -	$ 309,257
Mutual funds in the United States	12,022,991	-	-	12,022,991
Mutual funds and bonds in Austria	4,359,336	-	-	4,359,336
Foreign currency exchange forward contracts	-	-	-	-
Hedge funds	-	-	191,605	191,605
Total	$ 16,691,584	$ -	$ 191,605	$ 16,883,189

The following schedule is a reconciliation of Level 3 fair value measurements:

	2016	2015
Balance at beginning of year	$ 191,605	$ 186,840
Purchases	-	-
Withdrawals	-	(150)
Unrealized gain (loss)	2,033	4,915
Balance at end of year	$ 193,638	$ 191,605

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 - Restatement of prior year

During 2016, errors were made between net asset restrictions related to the accounting for endowment assets and related spending and translation adjustments. Certain revenue and translation adjustments had been included in temporarily and permanently restricted net assets when they should not have been restricted. The related prior year amounts have been adjusted for consistency with current period presentation. These errors had no effect on the reported results of operations.

The reclassification to the 2015 opening net asset balance is summarized as follows:

	As previously reported	Prior period adjustment	As restated
Unrestricted net assets	$ (16,392,639)	$ 290,963	$ (16,101,676)
Temporarily restricted net assets	5,398,668	420,475	5,819,143
Permanently restricted net assets	14,992,521	(711,438)	14,281,083
Total net assets	$ 3,998,550	$ -	$ 3,998,550

The reclassifications recorded to the 2015 statement of activities are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in net assets as previously reported	$ (525,654)	$ (1,000,947)	$ (393,544)	$ (1,920,145)
Investment return	92,674	117,782	(210,456)	-
Net assets released	495,197	(543,138)	47,941	-
Foreign currency transaction (loss/gain)	254,759	-	(254,759)	-
Foreign currency translation adjustments	(867,821)	33,659	834,162	-
Change in net assets as restated	$ (550,845)	$ (1,392,644)	$ 23,344	$ (1,920,145)

Note 16 - 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 June 13, 2017 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

COHNREZNICK

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