Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2021 and 2020

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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. and Subsidiary

Opinion

We have audited the consolidated financial statements of Salzburg Global Seminar, Inc. and Subsidiary (the "Seminar"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Seminar as of December 31, 2021 and 2020, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Seminar, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Seminar's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Seminar's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Seminar's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

CohnReznick LLP

Bethesda, Maryland
July 1, 2022

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2021 and 2020

Assets

	2021	2020
Cash and cash equivalents	$ 4,817,001	$ 4,038,368
Accounts receivable and other assets	683,442	663,904
Pledges receivable, net of discount	569,581	806,268
Investments ($11,734,650 and $10,815,522 pledged as collateral for loans as of December 31, 2021 and 2020, respectively)	21,076,829	19,220,013
Property and equipment, net	5,768,727	5,829,396
Total assets	$ 32,915,580	$ 30,557,949

Liabilities and Net Assets

	2021	2020
Liabilities		
Accounts payable and accrued liabilities	$ 1,596,286	$ 1,263,044
Deferred revenue	267,949	592,524
Refundable advances	1,275,178	1,111,273
Line of credit	2,920,527	2,916,811
Bank overdraft facilities	6,978,789	6,920,641
Notes payable, net	5,332,625	5,951,592
Total liabilities	18,371,354	18,755,885
Net assets (deficit)		
Without donor restrictions	(7,767,227)	(9,708,906)
With donor restrictions	22,311,453	21,510,970
Total net assets	14,544,226	11,802,064
Total liabilities and net assets	$ 32,915,580	$ 30,557,949

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Activities and Change in Net Assets
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without donor restrictions	With donor restrictions	2021	2020
Revenues				
Individual	$ 823,040	$ 1,357,006	$ 2,180,046	$ 2,383,641
Corporate	60,562	-	60,562	62,690
Foundation	1,387,088	1,253,600	2,640,688	2,786,644
Government	78,075	-	78,075	104,770
Participant funded tuition	-	-	-	1,184
Hotel	2,153,214	-	2,153,214	1,491,870
Investment return, net	944,697	1,571,523	2,516,220	960,032
Government subsidies	1,122,222	-	1,122,222	1,459,666
Other income	163,195	-	163,195	270,290
Net assets released from restriction	3,381,646	(3,381,646)	-	-
Total revenues	10,113,739	800,483	10,914,222	9,520,787
Expenses				
Educational programs and projects	2,700,143	-	2,700,143	2,359,847
Hotel	3,470,397	-	3,470,397	3,057,889
Management and general	1,984,478	-	1,984,478	1,796,289
Fundraising and reporting	239,789	-	239,789	347,862
Total expenses	8,394,807	-	8,394,807	7,561,887
Change in net assets before other loss and adjustments	1,718,932	800,483	2,519,415	1,958,900
Other loss				
Net foreign currency transaction loss	(1,241,933)	-	(1,241,933)	(257,574)
Foreign currency exchange (loss) gain on loans	(60,946)	-	(60,946)	69,337
Forgiveness of Paycheck Protection Program loan	175,917	-	175,917	-
Total other loss	(1,126,962)	-	(1,126,962)	(188,237)
Change in net assets before other adjustments	591,970	800,483	1,392,453	1,770,663
Foreign currency translation adjustments	1,349,709	-	1,349,709	142,991
Change in net assets	1,941,679	800,483	2,742,162	1,913,654
Net assets (deficit) at beginning	(9,708,906)	21,510,970	11,802,064	9,888,410
Net assets (deficit) at end	$ (7,767,227)	$ 22,311,453	$ 14,544,226	$ 11,802,064

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Activities and Change in Net Assets
Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	2020
Revenues			
Individual	$ 943,755	$ 1,439,886	$ 2,383,641
Corporate	62,690	-	62,690
Foundation	1,173,792	1,612,852	2,786,644
Government	99,346	5,424	104,770
Participant funded tuition	1,184	-	1,184
Hotel	1,491,870	-	1,491,870
Investment return, net	(47,772)	1,007,804	960,032
Government subsidies	1,459,666	-	1,459,666
Other income	270,290	-	270,290
Net assets released from restriction	2,347,076	(2,347,076)	-
Total revenues	7,801,897	1,718,890	9,520,787
Expenses			
Educational programs and projects	2,359,847	-	2,359,847
Hotel	3,057,889	-	3,057,889
Management and general	1,796,289	-	1,796,289
Fundraising and reporting	347,862	-	347,862
Total expenses	7,561,887	-	7,561,887
Change in net assets before other loss and adjustments	240,010	1,718,890	1,958,900
Other loss			
Net foreign currency transaction loss	(257,574)	-	(257,574)
Foreign currency exchange gain on loans	69,337	-	69,337
Total other loss	(188,237)	-	(188,237)
Change in net assets before other adjustments	51,773	1,718,890	1,770,663
Foreign currency translation adjustments	142,991	-	142,991
Change in net assets	194,764	1,718,890	1,913,654
Net assets (deficit) at beginning	(9,903,670)	19,792,080	9,888,410
Net assets (deficit) at end	$ (9,708,906)	$ 21,510,970	$ 11,802,064

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021
(With Comparative Totals for Year Ended December 31, 2020)

	Educational programs and project	Hotel	Management and general	Fundraising and reporting	Total	2020 Total
Expenses						
Wages and benefits	$ 1,856,819	$ 1,889,407	$ 843,947	$ 166,757	$ 4,756,930	$ 4,580,795
Food, beverage and household	31,415	422,643	-	-	454,058	252,409
Maintenance and utilities	79,341	272,670	-	-	352,011	294,774
Professional fees	439,418	97,053	499,709	38,298	1,074,478	847,351
Travel	27,104	3,255	21,343	4,373	56,075	91,757
Miscellaneous	110,263	290,831	176,915	3,084	581,093	490,212
Depreciation	-	341,265	117,871	-	459,136	403,497
Interest and bank fee	-	71,504	225,691	-	297,195	288,332
Office	155,783	57,164	63,293	27,277	303,517	271,817
Property taxes and other taxes	-	24,605	35,709	-	60,314	40,943
Total expenses	$ 2,700,143	$ 3,470,397	$ 1,984,478	$ 239,789	$ 8,394,807	$ 7,561,887

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Educational programs and project	Hotel	Management and general	Fundraising and reporting	Total
Expenses					
Wages and benefits	$ 1,566,386	$ 1,918,723	$ 807,424	$ 288,262	$ 4,580,795
Food, beverage and household	46,749	205,660	-	-	252,409
Maintenance and utilities	97,058	197,716	-	-	294,774
Professional fees	464,506	100,644	273,908	8,293	847,351
Travel	50,795	3,259	29,099	8,604	91,757
Miscellaneous	14,697	196,720	266,770	12,025	490,212
Depreciation	-	296,086	107,411	-	403,497
Interest and bank fee	-	71,783	216,549	-	288,332
Office	119,656	47,382	74,101	30,678	271,817
Property taxes and other taxes	-	19,916	21,027	-	40,943
Total expenses	$ 2,359,847	$ 3,057,889	$ 1,796,289	$ 347,862	$ 7,561,887

See Notes to Consolidated Financial Statements.

Salzburg Global Seminar, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 2,742,162	$ 1,913,654
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	459,136	403,497
Amortization of debt issuance costs	8,065	3,106
Amortization of discount on pledges receivable	(426)	(922)
Realized and unrealized appreciation of investments	(2,028,769)	(549,824)
Foreign currency translation adjustments	(1,349,709)	(142,991)
Foreign currency transaction loss	1,241,933	257,574
Foreign currency (gain) loss on long-term debt	60,946	(69,337)
Forgiveness of debt - individual donation	(10,647)	(89,234)
Forgiveness of paycheck protection program loan	(175,917)	-
Bad debt	1,080	1,000
Contributions restricted for long-term investment	(275,669)	(294,866)
Interest and dividends restricted for long-term investment	(12,760)	(10,606)
Changes in cash based on change in		
Pledges receivable	236,533	48,991
Accounts receivable and other assets	(60,599)	121,409
Accounts payable and accrued liabilities	429,349	(550,001)
Deferred revenue	(290,756)	397,602
Refundable advances	163,905	500,421
Net cash provided by operating activities	1,137,857	1,939,473
Cash flows from investing activities		
Purchase of investments	(360,766)	(467,158)
Proceeds from sales of investments	91,366	999,523
Purchase of property and equipment	(871,910)	(659,893)
Net cash used in investing activities	(1,141,310)	(127,528)
Cash flows from financing activities		
Contributions, interest and dividends restricted for long-term investmen	288,429	305,472
(Payments) net advances on line of credit	3,716	(112,799)
Change in bank overdraft facility	624,389	(366,986)
(Repayments) of notes payable	(64,334)	(109,609)
Proceeds from notes payable	6,399	746,867
Net cash provided by financing activities	858,599	462,945
Effect of exchange rates on cash	(76,513)	129,279
Net increase in cash and cash equivalents	778,633	2,404,169
Cash and cash equivalents at beginning	4,038,368	1,634,199
Cash and cash equivalents at end	$ 4,817,001	$ 4,038,368
Supplemental data		
Interest paid	$ 237,255	$ 244,023

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.

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 change in net assets, a statement of functional expenses, 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, 2021 and 2020, bad debt expense for accounts receivable was $500 and $0, respectively.

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, 2021 and 2020, 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, 2021 and 2020, bad debt expense for pledges receivable was $580 and $1,000, 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. 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, 2021 and 2020.

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 were entered into before January 1, 2003. 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, 2021 and 2020, the Seminar had refundable advances of $1,275,178 and $1,111,273, respectively.

Contributions, sponsorships, and bequests 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 is placed in service. 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 refundable advances.

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 hotel 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. Deposits received for events and meetings are deferred until the year in which the event or meeting is held. Hotel revenue on the consolidated statements of activities and change in net assets consist of room sales, food and beverage sales, and conference and meeting 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.

Government subsidies income are subsidies from the Austrian government that do not need to be repaid. Government subsidies are recognized as revenue upon receipt of payment.

Contract balances
The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the consolidated statements of financial position. The Seminar receives advances or deposits from customers before revenue is recognized, resulting in contract liabilities. These deposits are liquidated when revenue is recognized.

As of December 31, 2021, 2020, and 2019, contract balances consist of the following:

	2021	2020	2019
Accounts receivables	$ 529,726	$ 528,247	$ 621,808
Deferred revenue	267,949	592,524	150,643

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, 2021 and 2020 was 1.1322 and 1.2281, respectively. The weighted average rate used for conversion of the activities during 2021 and 2020 was 1.1828 and 1.1419, 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, 2021 and 2020.

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 2018 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. At times, amounts on deposit may exceed insured limits. The Seminar has not experienced losses in any of these accounts to date. 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. Base rent is recognized monthly using the straight-line method. Straight-line rent in excess of actual billings is classified as deferred rent and is reported as accounts payable and accrued liabilities on the consolidated statements of financial position.

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.

Reclassifications
Certain reclassifications have been made to the 2020 amounts presented in the statement of activities and change in net assets and statement of functional expenses to conform to the 2021 presentation. The reclassification to the statement of activities and change in net assets resulted in an increase to revenue with donor restrictions of $470,162 and a reciprocal increase to the total net assets released from restriction. The reclassification to the statement of functional expenses resulted in an increase to the total expenses of educational programs and projects by $143,807 and a reciprocal decrease to the total expenses of hotel.

Note 2 - Liquidity and availability of resources

As of December 31, 2021 and 2020, 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:

	2021	2020
Financial assets		
Cash and cash equivalents	$ 4,817,001	$ 4,038,368
Accounts receivable	529,726	528,247
Pledges receivable	569,581	806,268
Investments	21,076,829	19,220,013
	26,993,137	24,592,896
Less those unavailable for contractual or donor-imposed restrictions		
Endowment fund	(19,092,184)	(18,144,992)
Add back: next year endowment payout	900,000	900,000
Other donor restrictions	(3,219,269)	(3,365,978)
Add back: amounts available not subject to donor-specified expenditures in the following year	1,794,674	2,914,029
	(19,616,779)	(17,696,941)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,376,358	$ 6,895,955

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 approximately $2,100,000 as of December 31, 2021, which it could draw upon (see Note 8).

Note 3 - Net assets (deficit)

As of December 31, 2021 and 2020, the Seminar's net assets (deficit) without donor restrictions consist of the following:

	2021	2020
Without donor restrictions	$ (17,544,238)	$ (18,136,208)
Cumulative translation adjustments	9,777,011	8,427,302
	$ (7,767,227)	$ (9,708,906)

As of December 31, 2021 and 2020, the Seminar's net assets with donor restrictions consist of the following:

	2021	2020
Purpose		
Accelerator program	$ 265,961	$ 137,239
Challenge program	1,760,711	1,998,093
Scholarship	48,301	43,397
Hotel	1,130,842	1,170,608
Endowment income	3,229,376	2,557,853
Time		
General administration	13,454	16,641
	6,448,645	5,923,831
Net assets with donor restrictions - perpetual restrictions	15,862,808	15,587,139
Net assets with donor restrictions	$ 22,311,453	$ 21,510,970

During 2021 and 2020, the Seminar's net assets released from restrictions consist of the following:

	2021	2020
Purpose		
Accelerator program	$ 188,728	$ 588,793
Apex program	152,893	116,500
Challenge program	1,132,136	645,914
Scholarship	50,596	38,707
Hotel	931,116	41,075
Endowment income	900,000	900,000
Time		
General administration	26,177	16,087
	$ 3,381,646	$ 2,347,076

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, 2021 and 2020, the Seminar reported approximately $6.8 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 2021 and 2020, $2,796 and $78,380, 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 the Commonwealth 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 ending December 31, 2021 and 2020 consisted of the following:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2021	$ (1,079,260)	$ 18,144,992	$ 17,065,732
Investment return	-	1,571,523	1,571,523
Contributions	-	275,669	275,669
Net assets released from restriction and reclassification	-	(900,000)	(900,000)
Changes - foreign currency translation and transactions	(422,686)	-	(422,686)
Change in endowment net assets	(422,686)	947,192	524,506
Endowment net assets, December 31, 2021	$ (1,501,946)	$ 19,092,184	$ 17,590,238

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2020	$ (1,566,394)	$ 17,742,322	$ 16,175,928
Investment return	-	1,007,804	1,007,804
Contributions	-	294,866	294,866
Net assets released from restriction and reclassification	-	(900,000)	(900,000)
Changes - foreign currency translation and transactions	487,134	-	487,134
Change in endowment net assets	487,134	402,670	889,804
Endowment net assets, December 31, 2020	$ (1,079,260)	$ 18,144,992	$ 17,065,732

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, 2021, funds with original gift values of $11,951,526, fair values of $11,116,361 and deficiencies of $835,165 were reported in net assets with donor restrictions. At December 31, 2020, funds with original gift values of $11,704,826, fair values of $10,870,684 and deficiencies of $834,142 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 2021 and 2020, the difference between interest income and dividends and the total amount spent under the policy funded by endowment corpus was $542,826 and $593,163, respectively.

Note 5 - Pledges receivable

Pledges outstanding at December 31, 2021 and 2020 are summarized as follows:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	$ 521,211	$ 772,390
One year to five years	49,066	35,000
Total gross pledges	570,277	807,390
Less: Discount to present value	(696)	(1,122)
Total pledges, net	$ 569,581	$ 806,268

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, 2021 and 2020, consisted of the following:

	2021	2020
Money market	$ 902,484	$ 726,404
Equity securities	6,090,006	5,493,753
Mutual funds - equity	11,329,614	10,153,802
Mutual funds - fixed income	449,480	453,782
Exchange traded funds	357,070	351,501
Fixed income securities	1,698,027	1,794,661
Hedge funds	250,148	246,110
Total fair value of investments	$ 21,076,829	$ 19,220,013

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, 2021 and 2020 consisted of the following:

	2021	2020
Interest income and dividends	$ 487,451	$ 410,208
Realized gain	465,230	325,202
Unrealized gain, net	1,563,539	224,622
Total investment return	$ 2,516,220	$ 960,032

Investment fees amounted to $57,505 and $41,900 for the year ended December 31, 2021 and 2020, respectively. Total investment return is net of investment fees.

Note 7 - Property and equipment

Property and equipment at December 31, 2021 and 2020, consisted of the following:

	Estimated useful life in years	2021	2020
Land		$ 157,696	$ 171,054
Buildings			
Schloss Leopoldskron	10 - 50	3,855,438	3,356,748
Meierhof	10 - 50	9,550,397	10,347,628
Equipment	4 - 10	1,101,145	1,138,352
		14,664,676	15,013,782
Less accumulated depreciation		(8,895,949)	(9,184,386)
Property and equipment, net		$ 5,768,727	$ 5,829,396

A component of the net change in fixed assets from December 31, 2021 and 2020 is the effect of foreign currency translation (see Note 1).

Note 8 - Notes payable and line of credit

Notes payable at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Note payable (denominated in Euros) to an Austrian bank with principal and interest payments through 2022. Interest is at the Euribor rate plus 1.5% (1.5% at December 31, 2021 and 2020). Principal payments are deferred until June 2022. The loan is collateralized by investments and real estate in Austria.*	$ 2,874,991	$ 3,111,877
Note payable (denominated in USD) to an Austrian bank with principal and interest payments through 2026. Interest is at refinancing interest rate plus 1.625% (1.875% at December 31, 2021 and 2.0% at December 31, 2020). Principal payments were deferred until March 2021 and reduced by 50% from April 2021 through December 2021. The loan is collateralized by investments and real estate in Austria.*	738,736	794,986
Note payable (denominated in Euros) to an Austrian bank with interest payments through 2027. Interest is at a fixed rate of 2.35% as of 2021. The loan is collateralized by investments and real estate in Austria.*	1,173,846	1,273,278
Note payable (denominated in Euros) to an Austrian bank with no interest payments until April 2022. From April 2022 until May 2025, interest is at the Euribor rate plus 0.75% (0% at December 31, 2021 and 2020). The loan is guaranteed by the Austrian government under a special COVID-19 loan program.	566,075	614,025
Unamortized debt costs, related to note payable (denominated in USD), amortized using an imputed rate of 2.75%.	(21,023)	(29,088)
Notes payable to board member with interest, accrued at a rate of 1.0% per annum. The loan was guaranteed by another board member with no recourse to the Seminar.	-	10,597

	2021	2020
Note payable (demoniated in USD) to an United States bank under the Small Business Administration ("SBA")'s Paycheck Protection Program ("PPP") that is part of the CARES Act stimulus relief. The note bore interest at 1% and would require monthly payments of principal and interest on the outstanding principal balance, unless forgiven in whole or part by the SBA under the CARES Act. During 2021, all amounts due under the loan were forgiven.	-	175,917
	$ 5,334,646	$ 5,953,612

* These loans are collateralized by mutual funds and bonds in Austria with a value of $5,465,726 and $5,341,748 for the years ended December 31, 2021 and 2020, respectively.

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

2022	$ 3,024,990
2023	150,000
2024	433,038
2025	433,038
2026	138,736
Thereafter	1,173,846
	$ 5,353,648

On January 16, 2021, the PPP note payable was forgiven. Accordingly, the Seminar derecognized $175,917 of the PPP note payable and recognize a corresponding gain on debt forgiveness.

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% (1.47% and 1.89% at December 31, 2021 and 2020, respectively) and is collateralized by certain underlying securities in the amount of $6,268,924 and $5,473,774 as of December 31, 2021 and 2020, respectively. The balance on the line of credit was $2,920,527 and $2,916,811 at December 31, 2021 and 2020, 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% at December 31, 2021 and 2020) with a maturity date of June 30, 2024, and another overdraft facility at positive Euribor plus 1.38% (1.38% at December 31, 2021 and 2020) with a maturity date of December 31, 2022. At December 31, 2021 and 2020, the overdrafts totaled $6,978,789 and $6,920,641, respectively. The written limits on these overdrafts at December 31, 2021 and 2020 are $7,358,975 and $7,982,325, respectively.

During 2020, board members forgave notes payable and accrued interest totaling $89,234 with maturities through 2022. During 2021, board members forgave notes payable and accrued interest totaling $10,647 with maturities through 2022.

Debt issuance costs, net of accumulated amortization totaled $21,023 and $29,088 at December 31, 2021 and 2020, 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, 2021 and 2020, there was $8,065 and $3,106, 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 $257 and $191 of foreign currency effects for the years ended December 31, 2021 and 2020.

Interest expense totaled $237,255 and $235,871 for the years ended December 31, 2021 and 2020, respectively, and is included in interest and bank fees in the consolidated statements of functional expenses. No interest remained payable as of December 31, 2021 and 2020.

Note 9 - Hotel revenue

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

	2021	2020
Room	$ 1,750,180	$ 1,184,723
Food and beverage	229,062	114,809
Conference and meeting	173,972	192,338
	$ 2,153,214	$ 1,491,870

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:

	2021	2020
Beginning severance accrual	$ 209,383	$ 211,889
Current year provision expense	46,204	6,306
Severance payments	(83,339)	(28,902)
Foreign currency effect	(16,351)	20,090
End severance accrual	$ 155,897	$ 209,383

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 $55,519 and $63,405 in 2021 and 2020, 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 was paid in monthly installments of $8,312 and escalated each year. On September 24, 2020, the Seminar terminated the sublease agreement effective December 31, 2020 without penalties and fees.

On October 28, 2020, the Seminar entered into a new three-year lease agreement effective December 1, 2020. Rent is paid in monthly installments of $7,800. As of December 31, 2021 and 2020, the Seminar has deferred rent of $2,492 and $3,792, respectively, which is included in accounts payable and accrued liabilities in the consolidated statements of financial position.

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, 2021 are as follows:

2022	$	120,383
2023		112,583
2024		15,694
2025		10,336
2026		10,336
Thereafter		10,337
	$	279,669

Rent paid under these leases amounted to $145,328 and $158,788 in 2021 and 2020, 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 2021. 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, 2021 and 2020 are as follows:

	2021	2020
Bond Fund of America	$ 449,480	$ 453,782
Income Fund of America	1,784,544	1,520,337
Euro Pacific Growth Fund	1,676,618	1,635,658
Capital Income Builder Fund	6,586,785	5,880,623
	$ 10,497,427	$ 9,490,400

During 2020, the Seminar received loan financing from members of the Board of Directors (see Note 8).

During 2021 and 2020, members of the Board of Directors and an affiliated organization contributed to the Seminar unconditional gifts in the amount of $2,043,408 and $2,025,227, respectively, which are included in individual, corporate, and foundation revenue in the consolidated statements of activities. During 2021 and 2020, notes payable to board members in the amounts of $10,647 and $89,234, respectively, were forgiven (see Note 8) and are included in these unconditional gifts. As of December 31, 2021 and 2020, accounts and pledge receivables related to these unconditional gifts were $75,000 and $140,000, 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, 2021:

	Total	Net asset	Level 1	Level 2	Level 3
Money market	$ 902,484	$ -	$ 902,484	$ -	$ -
Equity securities	6,090,006	-	6,090,006	-	-
Mutual funds - equity	11,329,614	-	11,329,614	-	-
Mutual funds - fixed income	449,480	-	449,480	-	-
Exchange traded funds	357,070	-	357,070	-	-
Fixed income securities	1,698,027	-	1,698,027	-	-
Hedge funds	250,148	250,148	-	-	-
Total	$ 21,076,829	$ 250,148	$ 20,826,681	$ -	$ -

The following table presents the fair value of assets measured on a recurring basis at December 31, 2020:

	Total	Net asset value	Level 1	Level 2	Level 3
Money market	$ 726,404	$ -	$ 726,404	$ -	$ -
Equity securities	5,493,753	-	5,493,753	-	-
Mutual funds - equity	10,153,802	-	10,153,802	-	-
Mutual funds - fixed income	453,782	-	453,782	-	-
Exchange traded funds	351,501	-	351,501	-	-
Fixed income securities	1,794,661	-	1,794,661	-	-
Hedge funds	246,110	246,110	-	-	-
Total	$ 19,220,013	$ 246,110	$ 18,973,903	$ -	$ -

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 - Risks and uncertainties

In late February 2022, the Russian Federation commenced an invasion of Ukraine. The United States government and other nations responded by imposing economic sanctions on Russia. The Seminar cannot predict nor reasonably estimate the impact of the Russian invasion of Ukraine and any heightened geopolitical instability or effects that may follow, including disruptions to hotel and program activities, cyber disruptions or attacks, and heightened inflation, which could result in higher costs.

Note 16 - 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 1, 2022 (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 disclosures in the notes to the consolidated financial statements.

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