

**THE AMERICAN SWEDISH INSTITUTE**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

For The Periods Ended  
September 30, 2012 and February 29, 2012

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**THE AMERICAN SWEDISH INSTITUTE**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The American Swedish Institute  
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of The American Swedish Institute (a not-for-profit corporation) as of September 30, 2012 and February 29, 2012 and the related statements of activities, functional expenses, and cash flows for the seven month and twelve month periods then ended. These financial statements are the responsibility of The American Swedish Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the overall accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Swedish Institute, as of September 30, 2012 and February 29, 2012 and the changes in its net assets and its cash flows for the seven month and twelve month periods then ended in conformity with accounting principles generally accepted in the United States of America.

*HLB Tautges Redpath, Ltd.*

HLB TAUTGES REDPATH, LTD.

January 3, 2013

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## **FINANCIAL STATEMENTS**

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**THE AMERICAN SWEDISH INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2012 and February 29, 2012

**Statement 1**

	September 30, 2012	February 29, 2012
<b>Assets:</b>		
Current assets:		
Cash	\$1,010,627	\$823,278
Accounts receivable	49,596	2,669
Grants receivable	114,068	95,783
Contributions receivable, net	1,223,257	1,429,425
Inventory	301,817	150,878
Prepaid expenses	16,746	4,088
Total current assets	<u>2,716,111</u>	<u>2,506,121</u>
Noncurrent assets:		
Interest in charitable remainder trust	-	18,040
Contributions receivable, net	403,023	1,039,888
Investments	4,690,934	4,626,874
Collections for exhibitions	1,081,765	1,081,765
Land, building, and equipment, net	26,853,225	22,880,459
Total noncurrent assets	<u>33,028,947</u>	<u>29,647,026</u>
Total assets	<u>\$35,745,058</u>	<u>\$32,153,147</u>
<b>Liabilities and net assets:</b>		
Current liabilities:		
Accounts payable	\$180,999	\$72,476
Capital campaign payable	1,212,675	839,752
Accrued expenses	189,309	129,206
Deferred revenue	26,935	-
Line of credit	-	28,942
Total current liabilities	<u>1,609,918</u>	<u>1,070,376</u>
Long-term liabilities:		
Note payable	<u>5,640,863</u>	<u>2,538,214</u>
Total liabilities	<u>7,250,781</u>	<u>3,608,590</u>
Net assets:		
Unrestricted	23,272,397	22,635,037
Temporarily restricted	1,727,912	2,415,577
Permanently restricted	3,493,968	3,493,943
Total net assets	<u>28,494,277</u>	<u>28,544,557</u>
Total liabilities and net assets	<u>\$35,745,058</u>	<u>\$32,153,147</u>

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

**THE AMERICAN SWEDISH INSTITUTE**

## STATEMENTS OF ACTIVITIES

For the Seven Months Ended September 30, 2012  
and the Year Ended February 29, 2012

Statement 2

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	Seven Months Ended September 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$116,026	\$ -	\$ -	\$116,026
Contributions	289,914	-	25	289,939
Grants	69,068	-	-	69,068
Admissions	76,195	-	-	76,195
Retail sales, net of cost of goods sold of \$111,408	92,227	-	-	92,227
Food service sales, net of costs of goods sold of \$73,231	114,645	-	-	114,645
Classes, programs and rental	239,224	-	-	239,224
Total operating revenues	<u>997,299</u>	<u>0</u>	<u>25</u>	<u>997,324</u>
Net assets released from restriction for operations	748,000	(748,000)	-	-
Operating expenses:				
Program services:				
Programs, education, and other cultural activities	486,854	-	-	486,854
Museum, tours, and other mansion activities	626,410	-	-	626,410
Business enterprises	398,894	-	-	398,894
Total program services	<u>1,512,158</u>	<u>0</u>	<u>0</u>	<u>1,512,158</u>
Support services:				
Administration and communications	404,525	-	-	404,525
Membership and development	195,046	-	-	195,046
Total support services	<u>599,571</u>	<u>0</u>	<u>0</u>	<u>599,571</u>
Total operating expenses	<u>2,111,729</u>	<u>0</u>	<u>0</u>	<u>2,111,729</u>
Change in net assets from operating activities	<u>(366,430)</u>	<u>(748,000)</u>	<u>25</u>	<u>(1,114,405)</u>
Nonoperating items:				
Change in value of beneficial interest trust	-	(18,040)	-	(18,040)
Investment income (loss)	5,411	59,309	-	64,720
Capital campaign contributions	-	713,052	-	713,052
Capital campaign contributions - designated by board	446,774	-	-	446,774
Capital campaign expenditures	(142,381)	-	-	(142,381)
Net assts released from restrictions:				
Capital improvements and campaign expense	693,986	(693,986)	-	-
Total nonoperating items	<u>1,003,790</u>	<u>60,335</u>	<u>0</u>	<u>1,064,125</u>
Change in net assets	637,360	(687,665)	25	(50,280)
Net assets - beginning of period	<u>22,635,037</u>	<u>2,415,577</u>	<u>3,493,943</u>	<u>28,544,557</u>
Net assets - end of period	<u>\$23,272,397</u>	<u>\$1,727,912</u>	<u>\$3,493,968</u>	<u>\$28,494,277</u>

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

**THE AMERICAN SWEDISH INSTITUTE**  
**STATEMENTS OF ACTIVITIES**  
For the Seven Months Ended September 30, 2012  
and the Year Ended February 29, 2012

**Statement 2**  
**Page 2 of 2**

	Year Ended February 29, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$199,840	\$ -	\$ -	\$199,840
Contributions	403,875	18,254	60	422,189
Grants	88,876	1,521,549		1,610,425
Admissions	60,096	-	-	60,096
Retail sales, net of cost of goods sold of \$176,748	114,905	-	-	114,905
Food service sales, net of cost of goods sold of \$12,503	6,603	-	-	6,603
Classes, programs and rental	182,863	-	-	182,863
Total operating revenues	<u>1,057,058</u>	<u>1,539,803</u>	<u>60</u>	<u>2,596,921</u>
Net assets released from restriction for operations	<u>1,283,373</u>	<u>(1,283,373)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Program services:				
Programs, education, and other cultural activities	388,880	-	-	388,880
Museum, tours, and other mansion activities	721,451	-	-	721,451
Business enterprises	280,513	-	-	280,513
Total program services	<u>1,390,844</u>	<u>0</u>	<u>0</u>	<u>1,390,844</u>
Support services:				
Administration and communications	593,005	-	-	593,005
Membership and development	339,871	-	-	339,871
Total support services	<u>932,876</u>	<u>0</u>	<u>0</u>	<u>932,876</u>
Total operating expenses	<u>2,323,720</u>	<u>0</u>	<u>0</u>	<u>2,323,720</u>
Change in net assets from operating activities	<u>16,711</u>	<u>256,430</u>	<u>60</u>	<u>273,201</u>
Nonoperating items:				
Change in value of beneficial interest trust	-	(5,225)	-	(5,225)
Investment income (loss)	(70)	54,536	-	54,466
Loss on disposal of building and equipment	(110,800)	-	-	(110,800)
Capital campaign contributions	-	1,551,530	-	1,551,530
Capital campaign grants		139,260		139,260
Capital campaign expenditures	(99,370)	-	-	(99,370)
Net assts released from restrictions:				
Capital improvements and campaign expense	10,325,107	(10,325,107)	-	-
Total nonoperating items	<u>10,114,867</u>	<u>(8,585,006)</u>	<u>0</u>	<u>1,529,861</u>
Change in net assets	<u>10,131,578</u>	<u>(8,328,576)</u>	<u>60</u>	<u>1,803,062</u>
Net assets - beginning of period	<u>12,503,459</u>	<u>10,744,153</u>	<u>3,493,883</u>	<u>26,741,495</u>
Net assets - end of period	<u>\$22,635,037</u>	<u>\$2,415,577</u>	<u>\$3,493,943</u>	<u>\$28,544,557</u>

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

**THE AMERICAN SWEDISH INSTITUTE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
 For the Seven Months Ended September 30, 2012  
 and the Year Ended February 29, 2012

	Seven Months Ended September 30, 2012									
	Program Services					Supporting Services				
	Programs, Education, and Cultural Activities	Museum, Tours, and Other Mansion Activities	Business Enterprises	Total Program Services	Administration and Communications	Memberships and Development	Total Support Services	Total		
Expenses:										
Personnel expense	\$108,117	\$176,875	\$234,417	\$519,408	\$233,314	\$154,475	\$387,789	\$907,197		
Temp & contract	27,752	-	-	27,752	-	-	-	27,752		
Instructors and performers	-	-	-	-	-	-	-	-		
Outside service	98,323	9,958	95	108,376	33,559	-	33,559	141,935		
IT support	8,883	6,333	7,036	22,251	4,459	12,533	16,992	39,243		
Utilities & insurance	4,157	54,109	10,358	68,625	13,196	916	14,112	82,737		
Telephone & data	683	1,120	1,507	3,309	1,459	990	2,450	5,759		
Repairs and maintenance	1,302	15,934	8,814	26,050	1,302	287	1,589	27,639		
Equipment & space rent	12,764	1,793	2,644	17,201	1,084	737	1,821	19,022		
Supplies	37,481	18,125	52,044	107,651	4,695	3,468	8,163	115,814		
Other Program expense	2,276	52,179	2,133	56,588	-	-	-	56,588		
Scholarship and grants	13,200	-	-	13,200	-	-	-	13,200		
Food & catering	115,343	4,781	5,518	125,642	-	-	-	125,642		
Postage & printing	20,218	11,171	4,824	36,213	41,151	14,460	55,611	91,824		
Advertising & website	6,589	-	2,043	8,632	43,159	-	43,159	51,791		
Travel & meals	1,335	1,889	579	3,803	3,876	149	4,026	7,829		
License, fees, dues & subscriptions	5,803	5,104	12,427	23,334	943	2,211	3,155	26,489		
Miscellaneous	808	20	89	917	111	11	122	1,039		
Interest	-	-	-	-	395	-	395	395		
Total operating expense before depreciation	465,034	359,390	344,528	1,168,952	382,705	190,238	572,943	1,741,895		
Depreciation	21,820	267,020	54,366	343,206	21,820	4,808	26,628	369,834		
Total operating expenses	486,854	626,410	398,894	1,512,158	404,525	195,046	599,571	2,111,729		
Capital campaign expenditures	-	-	-	-	-	142,381	142,381	142,381		
Total expenses	\$486,854	\$626,410	\$398,894	\$1,512,158	\$404,525	\$337,427	\$741,952	\$2,254,110		

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

	Year Ended February 29, 2012							Total
	Program Services				Supporting Services			
	Programs, Education, and Cultural Activities	Museum, Tours, and Other Mansion Activities	Business Enterprises	Total Program Services	Administration and Communications	Memberships and Development	Total Support Services	
Expenses:	189,949	329,805	174,895	694,649	359,140	258,336	617,476	\$1,312,125
Personnel expense	33,326	200	600	34,126	-	5,005	5,005	39,131
Temp & contract	4,328	5,310	-	9,638	56,447	2,100	58,547	68,185
Instructors and performers	12,945	5,851	3,258	22,054	6,444	14,249	20,693	42,747
Outside service	4,306	58,327	10,730	73,363	19,898	949	20,847	94,210
IT support	1,794	3,209	1,728	6,731	3,339	2,450	5,789	12,520
Utilities & insurance	1,431	18,958	3,564	23,953	1,431	315	1,746	25,699
Telephone & data	2,201	22,773	1,030	26,004	2,038	1,502	3,540	29,544
Repairs and maintenance	21,851	30,661	10,304	62,816	3,524	6,024	9,548	72,364
Equipment & space rent	2,036	14,911	949	17,896	-	-	-	17,896
Supplies	33,500	-	-	33,500	-	-	-	33,500
Other Program expense	45,610	6,801	2,340	54,751	975	40	1,015	55,766
Scholarship and grants	11,304	3,497	8,622	23,423	64,457	41,274	105,731	129,154
Food & catering	1,885	1,768	3,866	7,519	31,287	7	31,294	38,813
Postage & printing	1,715	975	4,582	7,272	7,511	534	8,045	15,317
Advertising & website	3,005	5,805	10,763	19,573	1,286	844	2,130	21,703
Travel & meals	323	20	-	343	801	2,414	3,215	3,558
License, fees, dues & subscriptions	-	-	-	-	17,056	-	17,056	17,056
Miscellaneous	371,509	508,871	237,231	1,117,611	575,634	336,043	911,677	2,029,288
Interest	-	-	-	-	-	-	-	-
Total operating expense before depreciation	17,371	212,580	43,282	273,233	17,371	3,828	21,199	294,432
Depreciation	388,880	721,451	280,513	1,390,844	593,005	339,871	932,876	2,323,720
Total operating expenses	-	-	-	-	-	99,370	99,370	99,370
Capital campaign expenditures	\$388,880	\$721,451	\$280,513	\$1,390,844	\$593,005	\$439,241	\$1,032,246	\$2,423,090
Total expenses								

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

**THE AMERICAN SWEDISH INSTITUTE**

## STATEMENTS OF CASH FLOWS

For the Seven Months Ended September 30, 2012  
and the Year Ended February 29, 2012**Statement 4**

	September 30, 2012	February 29, 2012
Cash flows from operating activities:		
Change in net assets	(\$50,280)	\$1,803,062
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in fair value of investments	(32,249)	38,877
Depreciation	369,834	294,432
Contributions restricted for endowment and campaign	(534,000)	(1,551,529)
Loss on disposal of building and equipment	-	110,800
Donated securities	(37,722)	(466,760)
Changes in assets and liabilities, net:		
(Increase) decrease in contributions receivable, operating	1,062,000	(188,723)
Decrease in value of beneficial trust	18,040	5,225
(Increase) in accounts and grants receivable	(65,212)	(77,738)
(Increase) decrease in inventory and prepaids	(163,597)	43,196
Increase in accounts payable, accrued expenses and deferred revenue	568,484	723,014
Net cash provided (used) by operating activities	<u>1,135,298</u>	<u>733,856</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(4,342,600)	(11,553,676)
Purchase of investments, including reinvested income	(31,859)	(93,535)
Proceeds from sale of investments	37,770	4,465,803
Net cash provided (used) by investing activities	<u>(4,336,689)</u>	<u>(7,181,408)</u>
Cash flows from financing activities:		
Proceeds (payments) from line of credit, net	(28,942)	(636,458)
Proceeds on note payable	3,102,649	3,538,214
Payments on note payable	-	(1,000,000)
Proceeds from contributions restricted for endowment and campaign	315,033	4,976,892
Net cash provided (used) by financing activities	<u>3,388,740</u>	<u>6,878,648</u>
Net increase (decrease) in cash	187,349	431,096
Cash at beginning of period	<u>823,278</u>	<u>392,182</u>
Cash at end of period	<u><u>\$1,010,627</u></u>	<u><u>\$823,278</u></u>
Supplemental information:		
Interest paid, net of capitalized	<u><u>\$15,539</u></u>	<u><u>\$1,911</u></u>

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

**THE AMERICAN SWEDISH INSTITUTE**  
NOTES TO FINANCIAL STATEMENTS  
For the Seven Months Ended September 30, 2012  
and the Year Ended February 29, 2012

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**Note 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

The American Swedish Institute was founded in 1929 by Swan J. Turnblad and incorporated under the laws of the State of Minnesota as the American Institute of Swedish Arts, Literature and Science. In 1950 the name was changed to The American Swedish Institute (ASI) with the added provision that “when used on any of its official stationery or publications said name shall be accompanied by the word “Founded by Swan J. Turnblad.”

The general purpose of this corporation is to establish and maintain an institute for the purpose of education as authorized in the Articles of Incorporation; to provide lectures, public meetings, conferences, libraries, art galleries, museums, exhibitions, concerts and publications, related directly or indirectly to advance instruction and knowledge of, particularly, Swedish arts, literature and science; to acquire, hold, control and sell such real and personal property as may be needed and proper for the development of learning as herein above provided; and to use the name and the proceeds thereof exclusively for the aforesaid public purpose. Its plan of operations shall be to provide such suitable real and personal property through purchase, gifts, device or otherwise, and to furnish and maintain the same through fees, dues, contributions or such other means for the accomplishment of the objective of this corporation as shall from time to time be found available or expedient.

Membership in this corporation shall be of such types or classes as its bylaws may provide, and membership fees, as well as qualifications and privileges of members, shall be determined by its Board of Trustees.

ASI’s programs are as follows:

Programs, Education and Cultural Activities – include costs of programs, adult and youth education, visitor services, and archives.

Museum, Tours, and Other Mansion Activities – include costs of exhibitions and projects, curatorial activities, and activities related to the historic house.

Business Enterprises – include costs of operating the cafe, museum shop and facility rentals.

**B. BASIS OF PRESENTATION**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting Standards Board.

The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**THE AMERICAN SWEDISH INSTITUTE**  
NOTES TO FINANCIAL STATEMENTS  
For the Seven Months Ended September 30, 2012  
and the Year Ended February 29, 2012

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**C. RECEIVABLES**

Accounts receivable consist mainly of amounts due to ASI for rental of the facilities. Management considers amounts at year end to be fully collectible and thus an allowance is not considered necessary.

**D. INVENTORIES**

Inventory is carried at the lower of cost or market (first in, first out). Inventory is comprised of items for the museum shop and cafe.

**E. LAND, BUILDING, EQUIPMENT AND COLLECTIONS FOR EXHIBITIONS**

ASI defines capital assets as assets with an estimated useful life in excess of one year and an initial cost of more than \$5,000. Capital expenditures for land, building and equipment acquisitions are recorded at cost. Contributed assets are recorded at fair value at the date of donation. Depreciation of building and equipment are provided over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

	<u>Years</u>
Building	10-50
Furniture and equipment	5-10

Collections for exhibitions are capitalized. Purchased items are capitalized at cost, while contributed items are capitalized at the fair value on the date donated.

**F. UNRESTRICTED, TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED REVENUE AND SUPPORT**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted.

**G. MEMBERSHIP CONTRIBUTIONS**

Membership contributions are recognized as revenues in the period received, as the benefits received by members for their membership are deemed to be immaterial.



**THE AMERICAN SWEDISH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Seven Months Ended September 30, 2012  
and the Year Ended February 29, 2012

**H. DONATED SERVICES**

A substantial number of volunteers have donated significant amounts of their time to ASI's programs and museum services during the year. These donated services have not been included in these financial statements because they do not meet the recognition criteria of GAAP.

**I. INCOME TAX STATUS**

ASI has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. Accordingly, ASI is only subject to federal and state income taxes on any unrelated business income (UBI). ASI has not had any material UBI activities.

FASB ASC 740-10 provides that a tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes ASI has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

**J. FUNCTIONAL ALLOCATION OF EXPENSES**

The allocation of expenses between functions are based on direct expenditures and allocations based on staff time records and square footage.

**K. ADVERTISING COSTS**

Advertising costs are expensed as incurred. Total advertising expenses was \$38,805 and \$34,790 for the periods ended September 30, 2012 and February 29, 2012, respectively.

**L. CONTRIBUTIONS RECEIVABLE**

Contributions receivable are unconditional promises to give which are recognized as revenues or gains in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable consisted of the following:

	September 30, 2012	February 29, 2012
	<u>                    </u>	<u>                    </u>
Amounts due in:		
Less than one year	\$1,223,257	\$1,429,425
One to five years	405,523	1,061,688
Less discounts for time value of money	<u>(2,500)</u>	<u>(21,800)</u>
 Total contributions receivable	 <u><u>\$1,626,280</u></u>	 <u><u>\$2,469,313</u></u>

**THE AMERICAN SWEDISH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Seven Months Ended September 30, 2012  
and the Year Ended February 29, 2012

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A discount rate of approximately .5% - 1.9% was used as of September 30, 2012. As of September 30, 2012, approximately 83% of contributions receivable before the unamortized discount was receivable from five donors.

A discount rate of approximately .6% - 2.6% was used as of February 29, 2012. As of February 29, 2012, approximately 87% of contributions receivable before the unamortized discount was receivable from three donors.

**M. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 FINANCIAL INSTRUMENTS**

**A. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

ASI maintains checking accounts and savings accounts at financial institutions located within the Twin Cities. The Twin Cities accounts are, generally, insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. ASI bank balances may exceed FDIC coverage from time-to-time.

**B. CONCENTRATIONS OF CREDIT RISK DUE TO CONTRIBUTIONS RECEIVABLE AND ACCOUNTS RECEIVABLE**

Financial instruments that potentially subject ASI to concentrations of credit risk consist of contributions receivable and accounts receivable. Management believes concentrations of credit risk with respect to contributions receivable and accounts receivable are limited in nature. Accounts receivable consist of amounts owed to ASI for rental of the facilities. Contributions receivable consist of amounts pledged to ASI for the Linking Generations, Linking Communities Capital Campaign. As of September 30, 2012 and February 29, 2012, management believes ASI has no significant concentrations of credit risk. No allowance for doubtful accounts has been provided as management believes all receivables are collectible.

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**Note 3 SPLIT-INTEREST AGREEMENTS**

**A. CHARITABLE REMAINDER TRUST**

ASI is a beneficiary of a charitable remainder unitrust agreement established in 1999 which provides, among other features, ASI will be distributed the principal and income of the Trusts upon the death of the donors.

The trustees' assets are held independent of ASI. ASI has recorded the net present value of expected future cash flows, at a discount rate of 5%, as an interest in the charitable remainder unitrust.

As of September 30, 2012, the value of the charitable remainder unitrust is estimated to be \$0, as of February 29, 2012, the value of the charitable remainder unitrust is estimated to be \$18,040.

**Note 4 INVESTMENTS**

ASI's investments consist of the following:

	September 30, 2012	February 29, 2012
Investments at fair value:		
Money market funds	\$87,664	\$107,906
Fixed income	1,984,846	1,965,600
Equities	1,940,176	1,909,881
Complementary strategies	420,490	418,354
Real assets	245,680	213,718
Investments at cost:		
Accrued interest	12,078	11,415
 Total investments	 <u>\$4,690,934</u>	 <u>\$4,626,874</u>

Investments at fair value consist of individual securities, mutual funds and exchange-traded funds (ETFs). Investment income or loss (including gains and losses on investments, interest and dividends) is included as earned in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law. Management believes there are no significant concentrations of credit risk.

Net investment income is comprised of the following:

	September 30, 2012	February 29, 2012
Interest and dividends	\$57,895	\$112,624
Change in fair value	31,232	(16,354)
Investment fees	(24,407)	(41,804)
 Net investment income	 <u>\$64,720</u>	 <u>\$54,466</u>

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**Note 5 FAIR VALUE MEASUREMENTS**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

Assets or liabilities that are measured at fair value on a recurring basis are as follows:

	September 30, 2012			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual funds and exchange traded funds	\$2,695,995	\$ -	\$ -	\$2,695,995
Corporate stock	414,062	-	-	414,062
Government bonds	401,015	58,807	-	459,822
Corporate bonds	-	1,108,977	-	1,108,977
Interest in charitable remainder trusts	-	-	-	-
<b>Total</b>	<b>\$3,511,072</b>	<b>\$1,167,784</b>	<b>\$ -</b>	<b>\$4,678,856</b>
	February 29, 2012			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds and exchange traded funds	\$2,608,375	\$ -	\$ -	\$2,608,375
Corporate stock	447,266	-	-	447,266
Government bonds	390,511	84,898	-	475,409
Corporate bonds	-	1,084,409	-	1,084,409
Interest in charitable remainder trusts	-	-	18,040	18,040
<b>Total</b>	<b>\$3,446,152</b>	<b>\$1,169,307</b>	<b>\$18,040</b>	<b>\$4,633,499</b>

Level 1 investments include those traded on active markets with quoted prices. These include corporate stock, money market funds, mutual funds, exchange traded funds (ETFs) and U.S. treasury bills. Level 2 investments include those valued using dates which may include market data and/or quoted market prices from markets that are not active or are for the same or similar assets in active markets. These include governmental bonds not included in Level 1 and corporate bonds. Charitable remainder trusts are valued using estimated future cash flows. ASI’s interest is in the trust, not in the trust’s underlying assets themselves. The interest in the trust is not publicly traded nor can it be valued based on observable direct or indirect inputs. Accordingly, it is reported as level 3.

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Changes in the fair values of ASI's level 3 assets consisted of the following:

	September 30, 2012	February 29, 2012
Balance - beginning of period	\$18,040	\$23,265
Adjustment to remove (See Note 3)	(18,040)	-
Change in value of interest in trust	-	(5,225)
Balance - end of period	<u>\$0</u>	<u>\$18,040</u>

**Note 6 LAND, BUILDING AND EQUIPMENT**

Land, building and equipment at cost consisted of the following:

	September 30, 2012	February 29, 2012
Land	\$6,155,000	\$6,155,000
Building	23,027,294	6,212,924
Furniture and equipment	1,370,560	747,722
Expansion project in process	-	13,115,115
	<u>30,552,854</u>	<u>26,230,761</u>
Less accumulated depreciation	<u>(3,699,629)</u>	<u>(3,350,302)</u>
Total, net	<u>\$26,853,225</u>	<u>\$22,880,459</u>

**Note 7 DEBT**

ASI has a working line of credit, with maximum borrowings of \$827,000. The line of credit matured on July 31, 2012 and was renewed through January 31, 2013. The renewed line of credit has a variable interest equal to the prime rate, but with a minimum interest rate of 5.00%. The interest rate was 5.00% at September 30, 2012. Interest only payments are made on a monthly basis. The working line of credit is collateralized by accounts with the lender. Amounts outstanding under this line of credit were \$0 as of September 30, 2012 and \$28,942 as of February 29, 2012.

ASI has a program related investment loan, restricted for use for construction project expenses. This loan is a line of credit with maximum borrowings of \$10,000,000. The note agreement is dated November 9, 2011 and matures on November 23, 2014. The principal balance is due in full on the maturity date and may be prepaid at any time without penalty. The interest rate is 3% with interest due quarterly. Amounts outstanding under this line of credit were \$5,640,863 as of September 30, 2012 and \$2,538,214 as of February 29, 2012.

Total interest incurred was \$48,980 for September 30, 2012 and \$24,278 for February 29, 2012. These amounts include capitalized interest of \$33,441 for September 30, 2012 and \$22,367 for February 29, 2012.

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**Note 8 NET ASSETS**

Temporarily restricted net assets were comprised of the following:

	September 30, 2012	February 29, 2012
Linking Generations endowment	\$39,564	\$36,863
Anne Ray Charitable Trust (education and outreach, communications and publications, capacity building)	377,000	1,050,000
Pommer Trust (building, maintenance, acquisition, and improvements)	568,877	564,757
Lilly Lorenzen Scholarship	29,379	29,263
Malmberg Scholarship	193,911	170,190
David LaVine Funds (3)	234,359	217,239
Other	284,822	347,265
	<u>\$1,727,912</u>	<u>\$2,415,577</u>
Total		

Permanently restricted net assets were comprised of the following:

	September 30, 2012	February 29, 2012
David LaVine Family Fund (building, maintenance and improvements)	\$1,000,000	\$1,000,000
Ruth LaVine Memorial Fund (Swedish events and cultural programs)	50,000	50,000
David LaVine Cultural Fund (cultural programs)	75,000	75,000
Heritage Fund	901,478	901,453
Malmberg Scholarship and Study Fund (Swedish education programs)	612,588	612,588
Linking Generations endowment	275,972	275,972
Carlson Gardens (maintenance of verandah gardens)	65,000	65,000
Boyer Palmer endowment (general operations)	500,000	500,000
Raoul Wallenberg Living Memorial	13,930	13,930
	<u>\$3,493,968</u>	<u>\$3,493,943</u>
Total		

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**Note 9**    **ENDOWMENT FUNDS**

**A. GENERAL**

ASI's endowments consist of funds established to provide for building and gardens maintenance and improvements, scholarships, Swedish educational and cultural programs, as well as for general operations in support of the mission. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**B. INTERPRETATION OF RELEVANT LAW**

The Board of Directors of ASI has interpreted the State of Minnesota's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the ASI to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds unless there are explicit donor stipulations to the contrary:

- The duration and preservation of the fund
- The purposes of ASI and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ASI
- The investment policies of ASI

For accounting purposes only, ASI classifies as permanently restricted net assets (a) the original value of 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the ASI.

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**C. FINANCIAL INFORMATION**

The changes in donor restricted endowment net assets consisted of the following:

	September 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	(\$36,890)	\$468,566	\$3,493,943	\$3,925,619
Investment return:				
Investment loss, net of fees	-	30,759	-	30,759
Net depreciation (realized and unrealized)	5,074	24,082	-	29,156
Total investment increase	5,074	54,841	-	59,915
Appropriation of endowment assets for expenditure	-	-	-	-
Contributions	-	-	25	25
Endowment net assets (deficit) end of period	<u>(\$31,816)</u>	<u>\$523,407</u>	<u>\$3,493,968</u>	<u>\$3,985,559</u>
	February 29, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit) beginning of period	(\$36,745)	\$597,253	\$3,493,883	\$4,054,391
Investment return:				
Investment income, net of fees	-	62,248	-	62,248
Net appreciation (realized and unrealized)	(145)	(1,935)	-	(2,080)
Total investment increase	(145)	60,313	-	60,168
Appropriation of endowment assets for expenditure	-	(189,000)	-	(189,000)
Contributions	-	-	60	60
Endowment net assets (deficit) end of period	<u>(\$36,890)</u>	<u>\$468,566</u>	<u>\$3,493,943</u>	<u>\$3,925,619</u>

**D. INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS**

ASI has adopted an investment policy for endowment assets of which the objectives are (1) to preserve and protect its assets by earning total return appropriate to ASI's time horizon, liquidity needs, and risk tolerance, (2) to seek an average annual rate of return measured as the consumer price index plus 5%, and (3) to seek competitive investment performance versus appropriate benchmarks.



**E. STRATEGIES EMPLOYED FOR ACHIEVING INVESTMENT OBJECTIVES**

To satisfy its long-term rate-of-return objectives, ASI relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its investment objectives and annual rate of return, the endowment assets of ASI are to be invested approximately 45% in equity, 17% in other and 38% in fixed income.

**F. SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO THE SPENDING POLICY**

It is ASI's goal over the long-term to achieve a return in excess of the spending policy by withdrawing no more than 5% of the endowment fund's average fair value of the prior three years. The distribution rate is discretionary. Due to the market downturn, ASI felt it was prudent to take less than the spending policy allowed in the last two years.

**G. FUNDS WITH DEFICIENCIES**

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the ASI to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$31,816 and \$36,890 as of September 30, 2012 and February 29, 2012, respectively. Generally, these deficiencies are the result of the current worldwide economic situation.

**Note 10 OPERATING LEASES**

ASI has a noncancellable operating lease for office equipment. Rent expense on such equipment was \$4,229 and \$7,478 for fiscal periods September 30, 2012 and February 29, 2012, respectively.

The following is a schedule by years of future annual minimum payments required under the lease:

2013	\$7,345
2014	<u>2,941</u>
Total	<u><u>\$10,286</u></u>

**Note 11 LINKING GENERATIONS, LINKING COMMUNITIES CAPITAL CAMPAIGN**

ASI has completed the construction project of an additional building adjacent to the Turnblad Mansion and certain renovations to the mansion. The project cost is approximately \$19.5 million. The renovations were completed in November 2011 and the new building was completed in June 2012. As of September 30, 2012, ASI had approximately \$14 million received or committed from donors.

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**Note 12 FUTURE LEASE COMMITMENT**

On June 1, 2010, ASI signed a Letter of Partnership Agreement with an organization whereby ASI will lease to the organization 810 square feet of office space in the new ASI building. The Lease term is for 15 years beginning June 14, 2012. Payments for the entire 15 year period are scheduled as follows:

June 1, 2013	\$100,000
June 1, 2014	200,000
June 1, 2015	<u>200,000</u>
Total	<u>\$500,000</u>

**Note 13 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 3, 2013, the date which the financial statements were available to be issued, and concluded that there are no subsequent events that require disclosure.