

THE AMERICAN SWEDISH INSTITUTE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

- This page intentionally left blank -

THE AMERICAN SWEDISH INSTITUTE
TABLE OF CONTENTS

		<u>Page Number</u>
Independent Auditor's Report		1
FINANCIAL STATEMENTS		
Statements of Financial Position	Statement 1	5
Statements of Activities	Statement 2	6
Statements of Functional Expenses	Statement 3	8
Statements of Cash Flows	Statement 4	10
Notes to Financial Statements		11

- This page intentionally left blank -



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The American Swedish Institute (a not-for-profit corporation), which comprise the statement of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the year and the seven month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Swedish Institute as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the year and the seven month period then ended in accordance with accounting principles generally accepted in the United States of America.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.

January 22, 2014

FINANCIAL STATEMENTS

- This page intentionally left blank -

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and September 30, 2012

Statement 1

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets:		
Cash	\$519,140	\$1,010,627
Accounts receivable	23,745	49,596
Grants receivable	2,147,035	114,068
Contributions receivable, net	294,404	1,223,257
Inventory	234,224	301,817
Prepaid expenses	16,890	16,746
Total current assets	<u>3,235,438</u>	<u>2,716,111</u>
Noncurrent assets:		
Contributions receivable, net	269,900	403,023
Investments	4,780,712	4,690,934
Collections for exhibitions	1,081,765	1,081,765
Land, building, and equipment, net	26,204,730	26,853,225
Total noncurrent assets	<u>32,337,107</u>	<u>33,028,947</u>
Total assets	<u>\$35,572,545</u>	<u>\$35,745,058</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$222,815	\$180,999
Capital campaign payable	-	1,212,675
Accrued expenses	154,587	189,309
Deferred revenue	71,519	26,935
Line of credit	95,315	-
Total current liabilities	<u>544,236</u>	<u>1,609,918</u>
Long-term liabilities:		
Note payable	4,941,225	5,640,863
Total liabilities	<u>5,485,461</u>	<u>7,250,781</u>
Net assets:		
Unrestricted	24,857,734	23,272,397
Temporarily restricted	1,432,486	1,727,912
Permanently restricted	3,796,864	3,493,968
Total net assets	<u>30,087,084</u>	<u>28,494,277</u>
Total liabilities and net assets	<u>\$35,572,545</u>	<u>\$35,745,058</u>

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF ACTIVITIES
For The Year Ended September 30, 2013
And For The Seven Months Ended September 30, 2012

Statement 2
Page 1 of 2

	Year Ended September 30, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$280,395	\$ -	\$ -	\$280,395
Contributions	327,430	150	316,826	644,406
Grants	775,291	71,588	-	846,879
Admissions and tours	313,894	-	-	313,894
Programs, classes, and events	234,374	-	-	234,374
Cultural enterprises, net of costs of goods sold of \$826,033	1,103,868	-	-	1,103,868
Other	76,102	-	-	76,102
Total operating revenues	<u>3,111,354</u>	<u>71,738</u>	<u>316,826</u>	<u>3,499,918</u>
Net assets released from restriction for operations	<u>874,402</u>	<u>(860,472)</u>	<u>(13,930)</u>	<u>-</u>
Operating expenses:				
Program services:				
Programs, education, and other cultural activities	852,678	-	-	852,678
Museum, tours, and other mansion activities	1,113,325	-	-	1,113,325
Cultural enterprises	1,376,246	-	-	1,376,246
Total program services	<u>3,342,249</u>	<u>0</u>	<u>0</u>	<u>3,342,249</u>
Support services:				
Administration and communications	875,928	-	-	875,928
Membership and development	300,169	-	-	300,169
Total support services	<u>1,176,097</u>	<u>0</u>	<u>0</u>	<u>1,176,097</u>
Total operating expenses	<u>4,518,346</u>	<u>0</u>	<u>0</u>	<u>4,518,346</u>
Change in net assets from operating activities	<u>(532,590)</u>	<u>(788,734)</u>	<u>302,896</u>	<u>(1,018,428)</u>
Nonoperating items:				
Investment income	295	293,308	-	293,603
Capital campaign contributions	75,535	200,000	-	275,535
Capital campaign contributions - designated by board	220,973	-	-	220,973
Capital campaign grants	2,000,000	-	-	2,000,000
Capital campaign expenditures	(178,876)	-	-	(178,876)
Net assets released from restrictions:				
Capital improvements and campaign expense	-	-	-	-
Total nonoperating items	<u>2,117,927</u>	<u>493,308</u>	<u>0</u>	<u>2,611,235</u>
Change in net assets	<u>1,585,337</u>	<u>(295,426)</u>	<u>302,896</u>	<u>1,592,807</u>
Net assets - beginning of period	<u>23,272,397</u>	<u>1,727,912</u>	<u>3,493,968</u>	<u>28,494,277</u>
Net assets - end of period	<u>\$24,857,734</u>	<u>\$1,432,486</u>	<u>\$3,796,864</u>	<u>\$30,087,084</u>

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF ACTIVITIES
For The Year Ended September 30, 2013
And For The Seven Months Ended September 30, 2012

Statement 2
Page 2 of 2

	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 and tours	88,898	-	-	88,898
Programs, classes, and events	145,117	-	-	145,117
Cultural enterprises, net of costs of goods sold of \$184,639	254,639	-	-	254,639
Other	33,637	-	-	33,637
Total operating revenues	<u>997,299</u>	<u>-</u>	<u>25</u>	<u>997,324</u>
Net assets released from restriction for operations	<u>748,000</u>	<u>(748,000)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Program services:				
Programs, education, and other cultural activities	486,854	-	-	486,854
Museum, tours, and other mansion activities	626,410	-	-	626,410
Cultural 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	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 assets 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 FUNCTIONAL EXPENSES

For The Year Ended September 30, 2013

And For The Seven Months Ended September 30, 2012

Statement 3

Page 1 of 2

		Year Ended September 30, 2013							
		Program Services			Supporting Services				
		Programs, Education, and Cultural Activities	Museum, Tours, and Other Mansion Activities	Cultural Enterprises	Total Program Services	Administration and Communications	Memberships and Development	Total Support Services	Total
Expenses:									
Personnel expense	\$241,796	\$405,597	\$850,224	\$1,497,617	\$472,088	\$225,846	\$697,934	\$2,195,551	
Instructors and performers	87,816	11,740	501	100,057	-	-	-	100,057	
Outside service	51,348	15,045	8,000	74,393	83,087	6,909	89,996	164,389	
IT support	6,234	7,678	17,598	31,510	5,609	13,841	19,450	50,960	
Utilities and insurance	26,265	95,289	39,285	160,839	31,748	1,545	33,293	194,132	
Telephone and data	1,211	2,047	4,238	7,496	2,281	1,148	3,429	10,925	
Repairs and maintenance	16,642	53,718	27,023	97,383	8,716	968	9,684	107,067	
Equipment and space rent	38,981	1,361	7,852	48,194	1,586	803	2,389	50,583	
Supplies	14,470	46,334	83,254	144,058	7,259	5,363	12,622	156,680	
Other program expense	13,505	92,937	6,138	112,580	1,318	455	1,773	114,353	
Scholarship and grants	13,200	-	-	13,200	-	-	-	13,200	
Food and catering	49,335	6,145	1,576	57,056	3,140	249	3,389	60,445	
Postage and printing	28,563	4,321	6,438	39,322	83,700	31,527	115,227	154,549	
Advertising and website	2,216	-	9,470	11,686	79,673	-	79,673	91,359	
Travel and meals	4,472	3,577	4,447	12,496	11,093	1,896	12,989	25,485	
License, fees, dues, and subscriptions	6,575	11,688	36,692	54,955	1,900	5,658	7,558	62,513	
Miscellaneous	-	-	50	50	6,312	-	6,312	6,362	
Interest	-	-	-	-	1,398	-	1,398	1,398	
Total operating expense before depreciation	602,629	757,477	1,102,786	2,462,892	800,908	296,208	1,097,116	3,560,008	
Depreciation	250,049	355,848	273,460	879,357	75,020	3,961	78,981	958,338	
Total operating expenses	852,678	1,113,325	1,376,246	3,342,249	875,928	300,169	1,176,097	4,518,346	
Capital campaign expenditures	-	-	-	-	-	178,876	178,876	178,876	
Total expenses	\$852,678	\$1,113,325	\$1,376,246	\$3,342,249	\$875,928	\$479,045	\$1,354,973	\$4,697,222	

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2013

And For The Seven Months Ended September 30, 2012

Statement 3

Page 2 of 2

	Seven Months Ended September 30, 2012							Total
	Program Services			Supporting Services				
	Programs, Education, and Cultural Activities	Museum, Tours, and Other Mansion Activities	Cultural Enterprises	Total Program Services	Administration and Communications	Memberships and Development	Total Support Services	
Expenses:								
Personnel expense	\$108,117	\$176,875	\$234,417	\$519,409	\$233,314	\$154,475	\$387,789	\$907,198
Instructors and performers	27,752	-	-	27,752	-	-	-	27,752
Outside service	98,323	9,958	95	108,376	33,559	-	33,559	141,935
IT support	8,883	6,333	7,036	22,252	4,459	12,533	16,992	39,244
Utilities and insurance	4,157	54,109	10,358	68,624	13,196	916	14,112	82,736
Telephone and data	683	1,120	1,507	3,310	1,459	990	2,449	5,759
Repairs and maintenance	1,302	15,934	8,814	26,050	1,302	287	1,589	27,639
Equipment and space rent	12,764	1,793	2,644	17,201	1,084	737	1,821	19,022
Supplies	37,481	18,125	52,044	107,650	4,695	3,468	8,163	115,813
Other program expense	2,276	52,179	2,133	56,588	-	-	-	56,588
Scholarship and grants	13,200	-	-	13,200	-	-	-	13,200
Food and catering	115,343	4,781	5,518	125,642	-	-	-	125,642
Postage and printing	20,218	11,171	4,824	36,213	41,151	14,460	55,611	91,824
Advertising and website	6,589	-	2,043	8,632	43,159	-	43,159	51,791
Travel and meals	1,335	1,889	579	3,803	3,876	149	4,025	7,828
License, fees, dues, and subscriptions	5,803	5,104	12,427	23,334	943	2,211	3,154	26,488
Miscellaneous	808	19	89	916	113	12	125	1,041
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	<u>\$486,854</u>	<u>\$626,410</u>	<u>\$398,894</u>	<u>\$1,512,158</u>	<u>\$404,525</u>	<u>\$337,427</u>	<u>\$741,952</u>	<u>\$2,254,110</u>

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF CASH FLOWS

For The Year Ended September 30, 2013
 And For The Seven Months Ended September 30, 2012

Statement 4

	Year Ended September 30, 2013	Seven Months Ended September 30, 2012
Cash flows from operating activities:		
Change in net assets	\$1,592,807	(\$50,280)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in fair value of investments	(212,104)	(32,249)
Depreciation	958,337	369,834
Contributions restricted for long-term purpose	(316,826)	(534,000)
Loss on disposal of building and equipment	6,316	-
Donated securities	(75,224)	(37,722)
Changes in assets and liabilities, net:		
Decrease in contributions receivable, operating	1,061,976	1,062,000
Decrease in value of beneficial trust	-	18,040
Increase in accounts and grants receivable	(2,007,116)	(65,212)
(Increase) decrease in inventory and prepaids	67,449	(163,597)
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	(1,160,997)	568,484
Net cash provided (used) by operating activities	<u>(85,382)</u>	<u>1,135,298</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(316,156)	(4,342,600)
Purchase of investments, including reinvested income	(87,011)	(31,859)
Proceeds from sale of investments	284,559	37,770
Net cash provided (used) by investing activities	<u>(118,608)</u>	<u>(4,336,689)</u>
Cash flows from financing activities:		
Proceeds (payments) from line of credit, net	95,315	(28,942)
Proceeds on note payable	500,000	3,102,649
Payments on note payable	(1,199,638)	-
Proceeds from contributions restricted for endowment and campaign	316,826	315,033
Net cash provided (used) by financing activities	<u>(287,497)</u>	<u>3,388,740</u>
Net increase (decrease) in cash	(491,487)	187,349
Cash at beginning of period	<u>1,010,627</u>	<u>823,278</u>
Cash at end of period	<u><u>\$519,140</u></u>	<u><u>\$1,010,627</u></u>
Supplemental information:		
Interest paid, net of capitalized	<u>\$177,214</u>	<u>\$1,911</u>

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

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

Note 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

Founded in 1929 by Swedish immigrant newspaper publisher Swan Turnblad, today The American Swedish Institute (ASI) consists of a campus occupying the entire 2600 block of Park Avenue South in Minneapolis. Situated on this campus is the original home of the Turnblad family, a 33-room mansion with carriage house, built between 1904-08, which is on the National Register of Historic Places. A brilliant example of late Victorian architecture, it is considered one of America's finest mansions and a treasured, exquisitely preserved view into Minneapolis history. Also on this campus is the Carl and Leslie Nelson Cultural Center, which opened in July 2012. The Nelson Cultural Center is a LEED Gold-certified sustainable building which provides space for community gatherings, educational programming, exhibitions, collections conservation and cultural enterprises.

The present mission of the American Swedish Institute is as follows:

Set in the landmark Turnblad Mansion, the American Swedish Institute is a museum and cultural center of distinguished history and international reputation. ASI brings diverse audiences together to:

- learn about and celebrate Sweden and Swedish-America;
- share stories and traditions in order to encourage mutual understanding about culture, migration and local history; and,
- lift up human values of equality and environmental sustainability, as exemplified in the Nordic countries.

In fulfillment of this mission, ASI organizes its activities around three areas:

Programs, Education and Cultural Activities - ASI produces a wide variety of programs (performances, lectures, concerts and film), as well as workshops and classes for adults and youth (on language, folk arts and crafts and other topics). ASI holds numerous events representing traditional and contemporary Nordic culture. A community outreach program extends ASI's educational initiatives to neighborhood schools and other organizations.

Museum, Tours and Other Mansion Activities - Each year ASI presents three to six exhibitions that examine such topics as the arts, crafts, society, history and culture of Sweden, other Nordic countries, and Swedish-America. These exhibitions are complemented by various educational and cultural programs. ASI maintains extensive collections of material artifacts which require curatorial services, and these collections also form the basis of exhibitions and public programs. In addition, ASI maintains a library and archives. The Turnblad mansion is an important historic house which is appreciated by many visitors each year. ASI's collections and the historic mansion require on-going conservation, care, and treatment.

Cultural Enterprises - ASI educates the public and community about Sweden, other Nordic countries, and Swedish America by sharing traditions in all forms. Gathering together around food is a particularly important and effective means of educating people about heritage and contemporary life in Sweden, whether these are daily visitors or special groups. Equally important to the fulfillment of our mission is to enable visitors to acquire books and cultural materials which extend their appreciation of Swedish heritage and contemporary culture. ASI operates a cafe, museum shop and facility rental program for these purposes.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

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).

C. RECEIVABLES

Accounts receivable consist mainly of amounts due to ASI for various rental use 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 average cost. 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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

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.

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. The Organization's 2010-2012 tax years are open to examination by regulatory authorities.

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 \$67,746 and \$38,805 for the periods ended September 30, 2013 and 2012, respectively.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

L. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants 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 and grants receivable consisted of the following;

	September 30,	
	<u>2013</u>	<u>2012</u>
Amounts due in:		
Less than one year	\$2,441,439	\$1,337,325
One to five years	274,100	405,523
Less discounts for time value of money	<u>(4,200)</u>	<u>(2,500)</u>
 Total contributions and grants receivable	 <u><u>\$2,711,339</u></u>	 <u><u>\$1,740,348</u></u>

A discount rate of approximately 0.7% - 3.9% was used as of September 30, 2013. As of September 30, 2013, approximately 87% of contributions receivable before the unamortized discount was receivable from three donors.

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 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.

N. RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts so they conform to current year presentation.

Note 2 CONCENTRATION

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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

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.

ASI has determined the amount to be received will be minimal and thus does not have a receivable recorded.

Note 4 INVESTMENTS

ASI's investments consist of the following:

	<u>September 30,</u>	
	<u>2013</u>	<u>2012</u>
Investments at fair value:		
Money market funds	\$226,097	\$87,664
Fixed income	1,772,848	1,984,846
Equities	2,238,952	1,940,176
Complementary strategies	292,308	420,490
Real assets	239,125	245,680
Investments at cost:		
Accrued interest	<u>11,382</u>	<u>12,078</u>
 Total investments	 <u><u>\$4,780,712</u></u>	 <u><u>\$4,690,934</u></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:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$110,357	\$57,895
Change in fair value	229,613	31,232
Investment fees	<u>(46,367)</u>	<u>(24,407)</u>
 Net investment income	 <u><u>\$293,603</u></u>	 <u><u>\$64,720</u></u>

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

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, 2013		
	Level 1	Level 2	Total
Investments:			
Mutual funds and exchange traded funds	\$2,369,671	\$ -	\$2,369,671
Corporate stock	772,985	-	772,985
Government bonds	363,137	262,146	625,283
Corporate bonds	-	1,012,773	1,012,773
	<u>-\$3,505,793</u>	<u>\$1,274,919</u>	<u>\$4,780,712</u>
Total			
	<u>\$3,505,793</u>	<u>\$1,274,919</u>	<u>\$4,780,712</u>
	September 30, 2012		
	Level 1	Level 2	Total
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	-	1,121,055	1,121,055
	<u>-\$3,511,072</u>	<u>\$1,179,862</u>	<u>\$4,690,934</u>
Total			
	<u>\$3,511,072</u>	<u>\$1,179,862</u>	<u>\$4,690,934</u>

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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

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

	September 30,	
	2013	2012
Balance - beginning of period	\$ -	\$18,040
Change in value of interest in trust	-	(18,040)
Balance - end of period	<u>\$0</u>	<u>\$0</u>

Note 6 LAND, BUILDING AND EQUIPMENT

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

	September 30,	
	2013	2012
Land	\$6,155,000	\$6,155,000
Building	23,138,112	23,027,294
Furniture and equipment	1,392,118	1,370,560
Restoration project in progress	175,360	-
	<u>30,860,590</u>	<u>30,552,854</u>
Less accumulated depreciation	(4,655,860)	(3,699,629)
Total, net	<u>\$26,204,730</u>	<u>\$26,853,225</u>

Note 7 DEBT

ASI has a working line of credit, with maximum borrowings of \$400,000 through February 28, 2014. The 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, 2013. 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 \$95,315 as of September 30, 2013 and \$0 as of September 30, 2012, respectively.

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 original note agreement is dated November 9, 2011 and subsequent to year end has been extended to mature on January 1, 2017. 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 \$4,941,225 as of September 30, 2013 and \$5,640,863 as of September 30, 2012, respectively.

Total interest incurred was \$180,265 for 2013 and \$48,980 for 2012. These amounts include capitalized interest of \$0 for 2013 and \$33,441 for 2012.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

Note 8 NET ASSETS

Temporarily restricted net assets were comprised of the following:

	September 30,	
	2013	2012
Linking Generations endowment (moved to Heritage Fund in 2013)	\$ -	\$39,564
Anne Ray Charitable Trust (education and outreach, communications and publications, capacity building)	-	377,000
Pommer Trust ¹ (building, maintenance, acquisition, and improvements)	602,247	568,877
Heritage Fund (general operations)	181,211	47,764
Malmberg Scholarship	153,150	193,911
David LaVine Funds (3)	211,298	234,359
Time restriction for multi-year pledge	200,000	-
Other	84,580	266,437
	<u>\$1,432,486</u>	<u>\$1,727,912</u>
Total	<u>\$1,432,486</u>	<u>\$1,727,912</u>

¹ Included in temporarily restricted net assets is a term endowment. The principal portion of the Pommer Trust cannot be distributed for 99 years, which would be fiscal year 2090.

Permanently restricted net assets were comprised of the following:

	September 30,	
	2013	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	1,494,276	901,478
Malmberg Scholarship and Study Fund (Swedish education programs)	612,588	612,588
Linking Generations endowment (moved to Heritage Fund in 2013)	-	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
	<u>\$3,796,864</u>	<u>\$3,493,968</u>
Total	<u>\$3,796,864</u>	<u>\$3,493,968</u>

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

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 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 ASI.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

C. FINANCIAL INFORMATION

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

	Year Ended September 30, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	(\$31,816)	\$523,407	\$3,493,968	\$3,985,559
Investment return:				
Investment loss, net of fees	-	58,980	-	58,980
Net depreciation (realized and unrealized)	31,816	152,219	-	184,035
Total investment increase	31,816	211,199	-	243,015
Appropriation of endowment assets for expenditure	-	(178,679)	(13,930)	(192,609)
Contributions	-	-	316,826	316,826
Endowment net assets (deficit) end of period	\$ -	\$555,927	\$3,796,864	\$4,352,791
	Seven Months Ended 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 income, net of fees	-	30,759	-	30,759
Net appreciation (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	(\$31,816)	\$523,407	\$3,493,968	\$3,985,559

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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

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 29-49% in equity, 27-47% in fixed income, 0-20% in real assets, and 0-20% in other.

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 3-5% of the endowment fund's average fair value of the prior three years. The distribution rate is discretionary. ASI determines the exact percentage annually based on the endowment earnings.

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 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 \$0 and \$31,816 as of September 30, 2013 and 2012, respectively.

Note 10 OPERATING LEASES

ASI has a noncancellable operating lease for office equipment. Rent expense on such equipment was \$7,478 and \$4,229 for fiscal periods September 30, 2013 and September 30, 2012, respectively.

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

2014	<u>\$2,941</u>
Total	<u><u>\$2,941</u></u>

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Year Ended September 30, 2013
And The Seven Months Ended September 30, 2012

Note 11 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. Remaining payments for the entire 15 year period are scheduled as follows:

June 1, 2014	\$200,000
June 1, 2015	<u>200,000</u>
Total	<u><u>\$400,000</u></u>

Note 12 COMMITMENT FOR FOOD AND BEVERAGES MANAGEMENT

Effective August 19, 2013, ASI entered into a five year agreement to retain the management services with a third party vendor in connection with the management, operation, supervision, and maintenance of certain food and beverage services. This vendor will be granted the exclusive right to manage these services except for certain events listed in the agreement.

After five years, there is a renewal option for one additional five year period. This agreement is subject to earlier termination rights. The vendor will earn a management fee based on the operating income for the year.

Note 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2014, the date which the financial statements were available to be issued. As of this date, the Minnesota Department of Revenue has an examination in process of ASI verification of business income. The results of the examination could result in additional unrelated business income taxes. ASI management believes the amount of additional taxes, if any, would be immaterial to the financial statements.