

THE AMERICAN SWEDISH INSTITUTE

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

Years Ended September 30, 2015 and 2014

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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 financial statements of The American Swedish Institute (a not-for-profit corporation), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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 from 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

December 22, 2015

FINANCIAL STATEMENTS

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THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

Statement 1

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets:		
Cash	\$513,368	\$268,673
Accounts receivable	27,453	53,260
Grants and contributions receivable, net	181,271	250,029
Inventory	190,351	236,992
Prepaid expenses	6,706	6,716
Total current assets	<u>919,149</u>	<u>815,670</u>
Noncurrent assets:		
Grants and contributions receivable, net	-	102,800
Investments	5,189,475	5,316,412
Collections for exhibitions	1,081,765	1,081,765
Land, building, and equipment, net	<u>24,764,582</u>	<u>25,273,163</u>
Total noncurrent assets	<u>31,035,822</u>	<u>31,774,140</u>
Total assets	<u><u>\$31,954,971</u></u>	<u><u>\$32,589,810</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$261,389	\$75,230
Accrued expenses	161,846	150,750
Deferred revenue	401,272	250,157
Total current liabilities	<u>824,507</u>	<u>476,137</u>
Long-term liabilities:		
Note payable	<u>1,593,454</u>	<u>2,360,396</u>
Total liabilities	<u>2,417,961</u>	<u>2,836,533</u>
Net assets:		
Unrestricted	24,416,443	24,400,852
Temporarily restricted	1,322,620	1,554,478
Permanently restricted	<u>3,797,947</u>	<u>3,797,947</u>
Total net assets	<u>29,537,010</u>	<u>29,753,277</u>
Total liabilities and net assets	<u><u>\$31,954,971</u></u>	<u><u>\$32,589,810</u></u>

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

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$261,757	\$ -	\$ -	\$261,757
Grants and contributions	1,465,572	55,550	-	1,521,122
Admissions and tours	269,147	-	-	269,147
Programs, classes, and events	326,094	-	-	326,094
Cultural enterprises, net of costs of goods sold of \$405,776	697,162	-	-	697,162
Investment income - operating	898	155,000	-	155,898
Other	76,730	-	-	76,730
Total operating revenues	<u>3,097,360</u>	<u>210,550</u>	<u>0</u>	<u>3,307,910</u>
Net assets released from restriction for operations	<u>167,000</u>	<u>(167,000)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Programs, education, and other cultural activities	600,202	-	-	600,202
Museum, tours, and visitor services	812,007	-	-	812,007
Cultural enterprises	374,643	-	-	374,643
Administration	751,598	-	-	751,598
Communication	304,187	-	-	304,187
Membership and development	291,376	-	-	291,376
Total operating expenses	<u>3,134,013</u>	<u>0</u>	<u>0</u>	<u>3,134,013</u>
Change in net assets from operating activities	<u>130,347</u>	<u>43,550</u>	<u>-</u>	<u>173,897</u>
Nonoperating items:				
Investment loss - nonoperating	-	(154,028)	-	(154,028)
Contributions for capitalized assets	291,905	3,500	-	295,405
Capital campaign contributions - designated by board	428,523	-	-	428,523
Depreciation	(960,064)	-	-	(960,064)
Net assets released from restrictions:				
Capital improvements and campaign expense	124,880	(124,880)	-	-
Total nonoperating items	<u>(114,756)</u>	<u>(275,408)</u>	<u>0</u>	<u>(390,164)</u>
Change in net assets	15,591	(231,858)	0	(216,267)
Net assets - beginning of period	<u>24,400,852</u>	<u>1,554,478</u>	<u>3,797,947</u>	<u>29,753,277</u>
Net assets - end of period	<u><u>\$24,416,443</u></u>	<u><u>\$1,322,620</u></u>	<u><u>\$3,797,947</u></u>	<u><u>\$29,537,010</u></u>

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

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$266,270	\$ -	\$ -	\$266,270
Grants and contributions	1,462,269	8,576	1,083	1,471,928
Admissions and tours	333,601	-	-	333,601
Programs, classes, and events	334,734	-	-	334,734
Cultural enterprises, net of costs of goods sold of \$1,494,063	662,337	-	-	662,337
Investment income - operating	172	149,000	-	149,172
Other	74,150	-	-	74,150
Total operating revenues	<u>3,133,533</u>	<u>157,576</u>	<u>1,083</u>	<u>3,292,192</u>
Net assets released from restriction for operations	<u>168,576</u>	<u>(168,576)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Programs, education, and other cultural activities	596,449	-	-	596,449
Museum, tours, and visitor services	861,933	-	-	861,933
Cultural enterprises	359,689	-	-	359,689
Administration	722,578	-	-	722,578
Communications	320,639	-	-	320,639
Membership and development	284,494	-	-	284,494
Total operating expenses	<u>3,145,782</u>	<u>0</u>	<u>0</u>	<u>3,145,782</u>
Change in net assets from operating activities	<u>156,327</u>	<u>(11,000)</u>	<u>1,083</u>	<u>146,410</u>
Nonoperating items:				
Investment income - nonoperating	-	208,435	-	208,435
Contributions for capitalized assets	108,355	124,557	-	232,912
Capital campaign contributions - designated by board	39,550	-	-	39,550
Depreciation	(961,114)	-	-	(961,114)
Net assets released from restrictions:				
Capital improvements and campaign expense	200,000	(200,000)	-	-
Total nonoperating items	<u>(613,209)</u>	<u>132,992</u>	<u>0</u>	<u>(480,217)</u>
Change in net assets	<u>(456,882)</u>	<u>121,992</u>	<u>1,083</u>	<u>(333,807)</u>
Net assets - beginning of period	<u>24,857,734</u>	<u>1,432,486</u>	<u>3,796,864</u>	<u>30,087,084</u>
Net assets - end of period	<u>\$24,400,852</u>	<u>\$1,554,478</u>	<u>\$3,797,947</u>	<u>\$29,753,277</u>

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

	2015						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Marketing	Memberships & Development	Total
Expenses:							
Personnel expense	\$315,620	\$441,783	\$244,340	\$548,855	\$123,940	\$224,934	\$1,899,472
Instructors and performers	87,268	8,824	-	-	-	-	96,092
Outside service	1,000	-	-	75,519	-	-	76,519
IT support	6,658	9,345	13,345	6,143	1,646	13,794	50,931
Utilities and insurance	27,577	107,017	37,310	27,132	1,622	1,622	202,280
Telephone and data	1,700	2,627	1,311	3,015	652	1,222	10,527
Repairs and maintenance	15,638	46,251	24,078	7,359	920	920	95,166
Equipment and space rent	24,957	1,437	4,434	1,214	385	2,955	35,382
Supplies	32,720	24,615	24,087	4,829	8,221	3,189	97,661
Exhibit expense	5,882	131,044	-	-	-	-	136,926
Other services & miscellaneous	22,344	3,319	6,079	20	862	1,639	34,263
Scholarship and grants	13,800	-	-	-	-	-	13,800
Food and catering	24,530	16,362	208	4,132	282	1,316	46,830
Postage and printing	5,977	3,399	132	2,925	74,886	33,799	121,118
Advertising and website	-	-	1,566	-	87,816	-	89,382
Travel and meals	4,097	3,824	247	11,398	304	376	20,246
License, fees, dues, and subscriptions	10,434	12,160	17,506	2,140	2,651	5,610	50,501
Interest	-	-	-	56,917	-	-	56,917
Total operating expense	600,202	812,007	374,643	751,598	304,187	291,376	3,134,013
Depreciation	248,746	360,246	271,307	70,146	5,643	3,976	960,064
Total expenses	\$848,948	\$1,172,253	\$645,950	\$821,744	\$309,830	\$295,352	\$4,094,077

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

	2014						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Marketing	Memberships & Development	Total
Expenses:							
Personnel expense	\$282,223	\$471,320	\$222,991	\$505,876	\$120,716	\$226,134	\$1,829,260
Instructors and performers	81,674	13,274	-	-	-	-	94,948
Outside service	-	-	2,000	44,419	2,650	-	49,069
IT support	3,543	6,405	6,162	6,535	1,517	8,807	32,969
Utilities and insurance	29,640	112,368	40,101	31,218	1,744	1,744	216,815
Telephone and data	1,787	3,060	1,420	3,181	734	1,416	11,598
Repairs and maintenance	23,036	78,763	35,109	10,840	1,355	1,355	150,458
Equipment and space rent	36,463	1,656	5,932	1,803	419	810	47,083
Supplies	34,650	29,736	18,447	6,640	4,821	4,027	98,321
Exhibit expense	-	91,219	-	-	-	-	91,219
Other services & miscellaneous	19,228	2,280	3,048	-	859	130	25,545
Scholarship and grants	13,800	-	-	-	-	-	13,800
Food and kitchen expense	51,489	31,330	2,998	3,158	630	2,040	91,645
Postage and printing	4,804	3,266	210	6,125	92,463	30,213	137,081
Advertising and website	790	-	1,329	-	90,319	-	92,438
Travel and meals	3,418	4,294	113	16,764	1,662	2,369	28,620
License, fees, dues, and subscriptions	9,904	12,962	19,829	2,295	750	5,449	51,189
Interest	-	-	-	83,724	-	-	83,724
Total operating expense	596,449	861,933	359,689	722,578	320,639	284,494	3,145,782
Depreciation	248,946	360,724	271,583	70,223	5,651	3,987	961,114
Total expenses	\$845,395	\$1,222,657	\$631,272	\$792,801	\$326,290	\$288,481	\$4,106,896

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2015 and 2014

Statement 4

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	(\$216,267)	(\$333,807)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in fair value of investments	59,419	(286,851)
Depreciation	960,064	961,114
Contributions restricted for long-term purpose	-	(1,083)
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	171,558	2,358,510
(Increase) decrease in accounts receivable	25,807	(29,515)
(Increase) decrease in inventory and prepaids	46,651	7,406
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	348,370	27,216
Net cash provided (used) by operating activities	<u>1,395,602</u>	<u>2,702,990</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(451,484)	(29,547)
Purchase of investments, including reinvested income	(87,463)	(396,110)
Proceeds from sale of investments	154,982	147,261
Net cash provided (used) by investing activities	<u>(383,965)</u>	<u>(278,396)</u>
Cash flows from financing activities:		
Proceeds (payments) from line of credit, net	-	(95,315)
Payments on note payable	(766,942)	(2,580,829)
Proceeds from contributions restricted for endowment and campaign	-	1,083
Net cash provided (used) by financing activities	<u>(766,942)</u>	<u>(2,675,061)</u>
Net increase (decrease) in cash	244,695	(250,467)
Cash at beginning of period	<u>268,673</u>	<u>519,140</u>
Cash at end of period	<u>\$513,368</u>	<u>\$268,673</u>
Supplemental information:		
Interest paid	<u>\$63,464</u>	<u>\$109,639</u>

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

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2015 and 2014

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.

ASI is a vibrant arts and cultural organization that engages locally and connects globally. From the Turnblad Mansion and the Nelson Cultural Center, ASI seeks to be a community asset and partner by living up to its mission and vision.

The present Mission of ASI is as follows: ASI is a gathering place for all people to share experiences around themes of culture, migration, the environment and the arts, informed by enduring links to Sweden.

Our vision is that ASI will be a leading museum and cultural center of international reputation which invites all people to gather to connect their pasts to their shared future, to understand their heritage in relation to others and to discover their role as neighbors and global citizens. Vibrant, ongoing ties to Sweden will illuminate and inspire all these endeavors.

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 Visitor Services - 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 some 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.

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 other items which extend their appreciation of Swedish heritage and contemporary culture. ASI offers a cafe, museum shop and facility rental program for these purposes.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2015 and 2014

B. BASIS OF PRESENTATION

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).

To better manage the organization, ASI accounts for activity among eleven departments. Appropriate expenses are allocated to each of the departments and the departments are grouped for financial statement reporting purposes. Operating revenues and expenses are generally for activities that take place during the fiscal year. Nonoperating revenue and expense include donations restricted for the acquisition and major maintenance of capitalized assets, endowment investment earnings in excess of withdrawals under the total return concept, expense designated as part of the major campaign, and depreciation.

C. RECEIVABLES

Accounts receivable consist mainly of amounts due to ASI for management and 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 in accordance with the policy above. Purchased items are capitalized at cost, while contributed items are capitalized at the fair value on the date donated. Collection items are not depreciated.

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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2015 and 2014

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. Gifts that are given to acquire or maintain long lived assets are reported as restricted revenue and released when the asset is placed in service or the capitalized maintenance is complete. 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.

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.

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. Depreciation is allocated based on the primary use of spaces.

ASI's expenses are classified as follows:

	2015			2014		
	Operating	Nonoperating	Total	Operating	Nonoperating	Total
Program services	\$1,786,852	\$880,299	\$2,667,151	\$1,818,071	\$881,253	\$2,699,324
Admin & communications	1,055,785	75,789	1,131,574	1,043,217	75,874	1,119,091
Memberships & development	291,376	3,976	295,352	284,494	3,987	288,481
Total expense	<u>\$3,134,013</u>	<u>\$960,064</u>	<u>\$4,094,077</u>	<u>\$3,145,782</u>	<u>\$961,114</u>	<u>\$4,106,896</u>

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2015 and 2014

K. ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising expense was \$81,657 and \$86,471 for 2015 and 2014, respectively.

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,	
	2015	2014
Amounts due in:		
Less than one year	\$181,271	\$250,029
One to five years	-	105,000
Less discounts for time value of money	-	(2,200)
	<u>\$181,271</u>	<u>\$352,829</u>
Total contributions and grants receivable	<u>\$181,271</u>	<u>\$352,829</u>

No discount was applied to receivables in 2015 because all amounts were due in one year or less. As of September 30, 2015, approximately 92% of contributions receivable was from three donors.

A discount rate of approximately 1.1% – 3.1% was used as of September 30, 2014. As of September 30, 2014, approximately 92% of contributions receivable before the unamortized discount was receivable from four 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 CONCENTRATION

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

ASI maintains checking and savings accounts at financial institutions that, generally, are 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 Years Ended September 30, 2015 and 2014

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.

B. CHARITABLE ENDOWMENT FUND

ASI is a beneficiary of a small endowment fund held and administered by a third party foundation. ASI has no ability to affect its earnings or distributions. The amount is minimal and is not recorded as an asset. Earnings are recognized when received.

Note 4 INVESTMENTS

ASI's investments consist of the following:

	September 30,	
	2015	2014
Investments at fair value:		
Money market funds	\$241,439	\$144,406
Fixed income	1,966,382	1,944,750
Equities	2,149,759	2,362,885
Complementary strategies	512,952	531,665
Real assets	313,281	313,476
Total at fair value	<u>5,183,813</u>	<u>5,297,182</u>
Investments at cost:		
Accrued interest	<u>5,662</u>	<u>19,230</u>
Total investments	<u><u>\$5,189,475</u></u>	<u><u>\$5,316,412</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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2015 and 2014

Net investment income is comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$116,023	\$123,413
Change in fair value	(59,419)	286,851
Investment fees	<u>(54,734)</u>	<u>(52,657)</u>
Net investment income	<u>\$1,870</u>	<u>\$357,607</u>

Recap as presented on the Statement of Activities:

Operating revenue	\$155,898	\$149,172
Nonoperating revenue	<u>(154,028)</u>	<u>208,435</u>
As reported on the Statement of Activities	<u>\$1,870</u>	<u>\$357,607</u>

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:

	<u>September 30, 2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Mutual funds and exchange traded funds	\$1,799,388	\$ -	\$1,799,388
Corporate stock	1,442,398	-	1,442,398
Government bonds	359,824	573,956	933,780
Corporate bonds	<u>-</u>	<u>1,008,247</u>	<u>1,008,247</u>
Total	<u>\$3,601,610</u>	<u>\$1,582,203</u>	<u>\$5,183,813</u>

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	September 30, 2014		
	Level 1	Level 2	Total
Investments:			
Mutual funds and exchange traded funds	\$2,015,817	\$ -	\$2,015,817
Corporate stock	1,336,615	-	1,336,615
Government bonds	355,884	499,267	855,151
Corporate bonds	-	1,089,599	1,089,599
Total	<u>\$3,708,316</u>	<u>\$1,588,866</u>	<u>\$5,297,182</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.

Note 6 LAND, BUILDING AND EQUIPMENT

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

	September 30,	
	2015	2014
Land	\$6,155,000	\$6,155,000
Building	23,762,905	23,343,019
Furniture and equipment	1,407,765	1,381,366
	<u>31,325,670</u>	<u>30,879,385</u>
Less accumulated depreciation	<u>(6,561,088)</u>	<u>(5,606,222)</u>
Total, net	<u>\$24,764,582</u>	<u>\$25,273,163</u>

Note 7 DEBT

ASI has a working line of credit, with maximum borrowings of \$300,000 through March 30, 2016. The line of credit has a variable interest equal to the prime rate, but with a minimum interest rate of 5%. The interest rate was 5% at September 30, 2015. Interest only payments are made on a monthly basis. The working line of credit is collateralized by inventory and receivables. Amounts outstanding under this line of credit were \$0 as of September 30, 2015 and September 30, 2014.

ASI has a program related investment loan, restricted for use for the construction of the Nelson Cultural Center building. The note agreement matures on January 15, 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 \$1,593,454 as of September 30, 2015 and \$2,360,396 as of September 30, 2014.

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Total interest incurred was \$56,917 for 2015 and \$83,724 for 2014.

Note 8 NET ASSETS

Temporarily restricted net assets were comprised of the following:

	September 30,	
	2015	2014
Pommer Trust ¹ (building, maintenance, acquisition, and improvements)	\$620,720	\$626,677
Heritage Fund (general operations)	192,368	264,086
Malmberg Scholarship	177,680	181,199
David LaVine Funds (3)	179,679	247,655
Other	152,173	234,861
Total	<u>\$1,322,620</u>	<u>\$1,554,478</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,	
	2015	2014
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	1,495,359	1,495,359
Malmberg Scholarship and Study Fund (Swedish education programs)	612,588	612,588
Carlson Gardens (maintenance of verandah gardens)	65,000	65,000
Boyer Palmer endowment (general operations)	500,000	500,000
Total	<u>\$3,797,947</u>	<u>\$3,797,947</u>

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.

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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.

C. FINANCIAL INFORMATION

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

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	\$ -	\$740,632	\$3,797,947	\$4,538,579
Investment return:				
Investment income, net of fees	-	57,547	-	57,547
Change in fair value (realized and unrealized)	-	(50,690)	-	(50,690)
Total investment increase	-	6,857	-	6,857
Appropriation of endowment assets for expenditure	-	(154,000)	-	(154,000)
Contributions	-	-	-	-
Endowment net assets (deficit) end of period	\$ -	\$593,489	\$3,797,947	\$4,391,436

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	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	\$ -	\$555,927	\$3,796,864	\$4,352,791
Investment return:				
Investment income, net of fees	-	67,705	-	67,705
Change in fair value (realized and unrealized)	-	237,289	-	237,289
Total investment increase	-	304,994	-	304,994
Appropriation of endowment assets for expenditure	-	(120,289)	-	(120,289)
Contributions	-	-	1,083	1,083
Endowment net assets (deficit) end of period	\$ -	\$740,632	\$3,797,947	\$4,538,579

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 29-49% in equity, 27-47% in fixed income, 0-20% in real assets, and 0-20% in other. ASI aims to have an investment portfolio that is consistent with its values and generate competitive risk adjusted returns. Sustainability is a Swedish value, evident in ASI's LEED Gold certified Nelson Cultural Center. Therefore, ASI employs social screens whenever possible based on certain environmental, social, and governance criteria

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. Historically, ASI had a spending policy of withdrawing 5% of the endowment fund's average fair value of the prior five years. This policy was suspended during the economic downturn in 2008. The Board approved a spending amount of 3% of the average fair value of the prior three years in 2015 and 2014. The distribution rate is discretionary.

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Note 10 OPERATING LEASES

ASI has noncancellable operating leases for office equipment. Rent expenses for 2015 and 2014 was \$4,108 and \$4,778, respectively.

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

2016	\$4,093
2017	4,093
2018	4,093
2019	3,285
2020	<u>2,085</u>
Total	<u><u>\$17,649</u></u>

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. Payments have been prepaid. Unearned prepaid amounts are included in deferred revenue and totaled \$389,700 at September 30, 2015.

Note 12 COMMITMENT FOR FOOD AND BEVERAGES MANAGEMENT

On August 14, 2013, as revised on September 22, 2014, 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 has 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.

Note 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2015, the date which the financial statements were available to be issued, and concluded that there are no subsequent events that require disclosure.

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