

THE AMERICAN SWEDISH INSTITUTE

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

Years Ended September 30, 2016 and 2015

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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 nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, 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, 2016 and 2015, 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, P.A.
REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

January 4, 2017

FINANCIAL STATEMENTS

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THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

Statement 1

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets:		
Cash	\$899,959	\$513,368
Accounts receivable	21,025	27,453
Grants and contributions receivable, net	111,537	181,271
Inventory	154,341	190,351
Prepaid expenses	2,460	6,706
Total current assets	<u>1,189,322</u>	<u>919,149</u>
Noncurrent assets:		
Investments	5,386,387	5,189,475
Collections for exhibitions	1,081,765	1,081,765
Land, building, and equipment, net	<u>23,798,400</u>	<u>24,764,582</u>
Total noncurrent assets	<u>30,266,552</u>	<u>31,035,822</u>
Total assets	<u><u>\$31,455,874</u></u>	<u><u>\$31,954,971</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$98,478	\$261,389
Accrued expenses	113,631	161,846
Deferred revenue	<u>377,930</u>	<u>401,272</u>
Total current liabilities	590,039	824,507
Long-term liabilities:		
Note payable	<u>-</u>	<u>1,593,454</u>
Total liabilities	<u>590,039</u>	<u>2,417,961</u>
Net assets:		
Unrestricted	25,450,628	24,416,443
Temporarily restricted	1,617,260	1,322,620
Permanently restricted	<u>3,797,947</u>	<u>3,797,947</u>
Total net assets	<u>30,865,835</u>	<u>29,537,010</u>
Total liabilities and net assets	<u><u>\$31,455,874</u></u>	<u><u>\$31,954,971</u></u>

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$272,405	\$ -	\$ -	\$272,405
Grants and contributions	1,744,227	7,500	-	1,751,727
Admissions and tours	431,201	-	-	431,201
Programs, classes, and events	363,335	-	-	363,335
Cultural enterprises, net of costs of goods sold of \$417,722	712,306	-	-	712,306
Investment income - operating	(349)	150,000	-	149,651
Other	122,528	-	-	122,528
Total operating revenues	<u>3,645,653</u>	<u>157,500</u>	<u>0</u>	<u>3,803,153</u>
Net assets released from restriction for operations	<u>208,268</u>	<u>(208,268)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Programs, education, and other cultural activities	648,082	-	-	648,082
Museum, tours, and visitor services	1,071,612	-	-	1,071,612
Cultural enterprises	360,303	-	-	360,303
Administration	660,289	-	-	660,289
Communication	297,270	-	-	297,270
Membership and development	260,191	-	-	260,191
Total operating expenses	<u>3,297,747</u>	<u>0</u>	<u>0</u>	<u>3,297,747</u>
Change in net assets from operating activities	<u>556,174</u>	<u>(50,768)</u>	<u>-</u>	<u>505,406</u>
Nonoperating items:				
Investment income - nonoperating	-	196,913	-	196,913
Contributions for capitalized assets	988,949	151,000	-	1,139,949
Capital contributions - designated by board	467,307	-	-	467,307
Depreciation	(980,750)	-	-	(980,750)
Net assets released from restrictions:				
Capital improvements	2,505	(2,505)	-	-
Total nonoperating items	<u>478,011</u>	<u>345,408</u>	<u>0</u>	<u>823,419</u>
Change in net assets	1,034,185	294,640	0	1,328,825
Net assets - beginning of period	<u>24,416,443</u>	<u>1,322,620</u>	<u>3,797,947</u>	<u>29,537,010</u>
Net assets - end of period	<u>\$25,450,628</u>	<u>\$1,617,260</u>	<u>\$3,797,947</u>	<u>\$30,865,835</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
Communications	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 contributions - designated by board	428,523	-	-	428,523
Depreciation	(960,064)	-	-	(960,064)
Net assets released from restrictions:				
Capital improvements	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	<u>15,591</u>	<u>(231,858)</u>	<u>0</u>	<u>(216,267)</u>
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>\$24,416,443</u>	<u>\$1,322,620</u>	<u>\$3,797,947</u>	<u>\$29,537,010</u>

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

	2016						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Marketing	Memberships & Development	Total
Expenses:							
Personnel expense	\$365,596	\$577,244	\$231,060	\$508,025	\$124,575	\$198,988	\$2,005,488
Instructors and performers	72,025	12,467	-	-	-	-	84,492
Outside service	-	1,554	54	44,757	-	-	46,365
IT support	8,467	13,671	7,992	7,684	2,254	14,464	54,532
Utilities and insurance	26,494	108,329	41,981	22,493	1,558	1,558	202,413
Telephone and data	1,609	2,599	996	2,303	547	899	8,953
Repairs and maintenance	18,301	71,402	28,149	8,612	1,077	1,077	128,618
Equipment and space rent	31,011	1,875	2,911	1,033	245	681	37,756
Supplies	33,273	42,998	20,451	8,104	3,047	5,933	113,806
Exhibit expense	9,348	171,536	-	-	-	-	180,884
Other services & miscellaneous	25,552	4,690	3,450	185	761	160	34,798
Scholarship and grants	17,800	100	-	-	-	-	17,900
Food and catering	17,908	23,044	8	2,806	251	2,009	46,026
Postage and printing	2,400	16,145	179	1,854	66,192	26,520	113,290
Advertising and website	-	-	1,264	-	93,974	-	95,238
Travel and meals	3,847	2,353	239	18,829	124	1,708	27,100
License, fees, dues, and subscriptions	14,451	21,605	21,569	2,916	2,665	6,194	69,400
Interest	-	-	-	30,688	-	-	30,688
Total operating expense	648,082	1,071,612	360,303	660,289	297,270	260,191	3,297,747
Depreciation	249,533	376,678	271,656	72,641	6,059	4,183	980,750
Total expenses	\$897,615	\$1,448,290	\$631,959	\$732,930	\$303,329	\$264,374	\$4,278,497

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 kitchen expense	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.

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2016 and 2015

Statement 4

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$1,328,825	(\$216,267)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in fair value of investments	(267,845)	59,419
Depreciation	980,750	960,064
Forgiveness of debt on note payable	(988,414)	-
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	69,734	171,558
(Increase) decrease in accounts receivable	6,428	25,807
(Increase) decrease in inventory and prepaids	40,256	46,651
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	<u>(234,468)</u>	<u>348,370</u>
Net cash provided (used) by operating activities	<u>935,266</u>	<u>1,395,602</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(14,567)	(451,484)
Purchase of investments, including reinvested income	(77,676)	(87,463)
Proceeds from sale of investments	148,608	154,982
Net cash provided (used) by investing activities	<u>56,365</u>	<u>(383,965)</u>
Cash flows from financing activities:		
Payments on note payable	<u>(605,040)</u>	<u>(766,942)</u>
Net cash provided (used) by financing activities	<u>(605,040)</u>	<u>(766,942)</u>
Net increase (decrease) in cash	386,591	244,695
Cash at beginning of period	<u>513,368</u>	<u>268,673</u>
Cash at end of period	<u><u>\$899,959</u></u>	<u><u>\$513,368</u></u>
Supplemental information:		
Interest paid	\$42,963	\$63,464
Noncash financing activity -forgiveness of debt on note payable	\$988,414	\$ -

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, 2016 and 2015

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, 2016 and 2015

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 several 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 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.

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

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NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2016 and 2015

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 GOODS AND 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.

Donated goods are recorded as contributions in the accompanying statements at fair value at the date of receipt. ASI received \$16,260 and \$0 of donated goods for 2016 and 2015, respectively.

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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2016 and 2015

ASI's expenses are classified as follows:

	2016			2015		
	Operating	Nonoperating	Total	Operating	Nonoperating	Total
Program services	\$2,079,997	\$897,867	\$2,977,864	\$1,786,852	\$880,299	\$2,667,151
Admin & communications	957,559	78,700	1,036,259	1,055,785	75,789	1,131,574
Memberships & development	260,191	4,183	264,374	291,376	3,976	295,352
Total expense	<u>\$3,297,747</u>	<u>\$980,750</u>	<u>\$4,278,497</u>	<u>\$3,134,013</u>	<u>\$960,064</u>	<u>\$4,094,077</u>

K. ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising expense was \$53,236 and \$81,656 for 2016 and 2015, 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,	
	2016	2015
Amounts due in:		
Less than one year	<u>\$111,537</u>	<u>\$181,271</u>

No discount was applied to receivables in 2016 or 2015 because all amounts were due in one year or less. As of September 30, 2016, 99% of contributions receivable was from one donor. As of September 30, 2015, approximately 92% of contributions receivable was 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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2016 and 2015

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.

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:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Investments at fair value:		
Money market funds	\$129,290	\$241,439
Fixed income	2,178,992	1,966,382
Equities	2,329,164	2,149,759
Complementary strategies	486,320	512,952
Real assets	257,338	313,281
Total at fair value	<u>5,381,104</u>	<u>5,183,813</u>
Investments at cost:		
Accrued interest	<u>5,283</u>	<u>5,662</u>
Total investments	<u>\$5,386,387</u>	<u>\$5,189,475</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

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NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2016 and 2015

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>2016</u>	<u>2015</u>
Interest and dividends	\$131,774	\$116,023
Change in fair value	267,845	(59,419)
Investment fees	<u>(53,055)</u>	<u>(54,734)</u>
Net investment income	<u><u>\$346,564</u></u>	<u><u>\$1,870</u></u>

Recap as presented on the Statement of Activities:

Operating revenue	\$149,651	\$155,898
Nonoperating revenue	<u>196,913</u>	<u>(154,028)</u>
As reported on the Statement of Activities	<u><u>\$346,564</u></u>	<u><u>\$1,870</u></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, 2016</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Mutual funds and exchange traded funds	\$1,576,722	\$ -	\$1,576,722
Corporate stock	1,656,235	-	1,656,235
Government bonds	351,191	722,768	1,073,959
Corporate bonds	<u>-</u>	<u>1,074,188</u>	<u>1,074,188</u>
Total	<u><u>\$3,584,148</u></u>	<u><u>\$1,796,956</u></u>	<u><u>\$5,381,104</u></u>

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	September 30, 2015		Total
	Level 1	Level 2	
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	-	1,008,247	1,008,247
	<u>\$3,601,610</u>	<u>\$1,582,203</u>	<u>\$5,183,813</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,	
	2016	2015
Land	\$6,155,000	\$6,155,000
Building	23,765,411	23,762,905
Furniture and equipment	1,403,460	1,407,765
	<u>31,323,871</u>	<u>31,325,670</u>
Less accumulated depreciation	<u>(7,525,471)</u>	<u>(6,561,088)</u>
Total, net	<u>\$23,798,400</u>	<u>\$24,764,582</u>

Note 7 DEBT

ASI has a working line of credit, with maximum borrowings of \$300,000 through March 30, 2017. 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, 2016. Interest only payments are made on a monthly basis. The working line of credit is collateralized by inventory and equipment. Amounts outstanding under this line of credit were \$0 as of September 30, 2016 and 2015.

ASI had a program related investment loan, restricted for use for the construction of the Nelson Cultural Center building. The note agreement was scheduled to mature on January 15, 2017 with the principal balance due in full on the maturity date and could be prepaid at any time without penalty. The interest rate was 3% with interest due quarterly. The unpaid balance as of September 22, 2016 totaling \$988,414 was forgiven by the lender on September 30, 2016. The balances on September 30, 2016 and 2015 were \$0 and \$1,593,454, respectively.

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Total interest incurred was \$30,688 for 2016 and \$56,917 for 2015.

Note 8 NET ASSETS

Temporarily restricted net assets were comprised of the following:

	September 30,	
	2016	2015
Pommer Trust ¹ (building, maintenance, acquisition, and improvements)	\$655,300	\$620,720
Heritage Fund (general operations)	253,381	192,368
Malmberg Scholarship	206,013	177,680
David LaVine Funds (3)	215,846	179,679
Other	286,720	152,173
Total	<u>\$1,617,260</u>	<u>\$1,322,620</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,	
	2016	2015
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:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	\$ -	\$593,489	\$3,797,947	\$4,391,436
Investment return:				
Investment income, net of fees	-	71,003	-	71,003
Change in fair value (realized and unrealized)	-	223,708	-	223,708
Total investment increase	-	294,711	-	294,711
Appropriation of endowment assets for expenditure	-	(133,115)	-	(133,115)
Contributions	-	-	-	-
Endowment net assets (deficit) end of period	\$ -	\$755,085	\$3,797,947	\$4,553,032

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	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

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 2016 and 2015. The distribution rate is discretionary.

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Note 10 OPERATING LEASES

ASI has noncancellable operating leases for office equipment. Rent expenses for 2016 and 2015 was \$4,000 and \$4,108, respectively.

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

2017	\$4,093
2018	4,093
2019	3,285
2020	<u>2,085</u>
Total	<u>\$13,556</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 \$354,500 and \$389,700 at September 30, 2016 and 2015, respectively.

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 January 4, 2017, 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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