

THE AMERICAN SWEDISH INSTITUTE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2019 and 2018

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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, 2019 and 2018, 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.

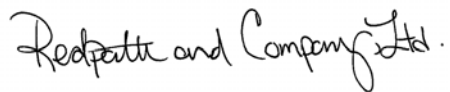
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 16 to the financial statements, The American Swedish Institute implemented the provisions of the Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

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REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 4, 2020

FINANCIAL STATEMENTS

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THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

Statement 1

	2019	2018
Assets:		
Current assets:		
Cash	\$1,247,961	\$1,097,711
Accounts receivable	45,448	33,838
Grants and contributions receivable, net	1,048,698	1,069,800
Inventory	192,266	205,437
Prepaid expenses	36,562	37,722
Total current assets	<u>2,570,935</u>	<u>2,444,508</u>
Noncurrent assets:		
Deferred compensation asset	91,357	72,324
Grants and contributions receivable, net	-	685,000
Investments	6,796,555	6,332,028
Land, building, and equipment, net	21,844,862	22,144,626
Collections for exhibitions (Note 1E)	-	-
Total noncurrent assets	<u>28,732,774</u>	<u>29,233,978</u>
Total assets	<u><u>\$31,303,709</u></u>	<u><u>\$31,678,486</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$185,194	\$185,250
Contracts payable	153,150	-
Accrued expenses	125,990	105,280
Deferred revenue	185,748	90,317
Total current liabilities	<u>650,082</u>	<u>380,847</u>
Noncurrent liabilities:		
Deferred compensation liability	91,357	72,324
Deferred revenue	203,004	242,604
Total noncurrent liabilities	<u>294,361</u>	<u>314,928</u>
Total liabilities	<u>944,443</u>	<u>695,775</u>
Net assets:		
Without donor restrictions:		
Undesignated	22,681,604	23,171,218
Designated by the board	836,915	542,013
	<u>23,518,519</u>	<u>23,713,231</u>
With donor restrictions:		
Time and purpose restrictions	3,042,800	3,471,533
Perpetual in nature	3,797,947	3,797,947
	<u>6,840,747</u>	<u>7,269,480</u>
Total net assets	<u>30,359,266</u>	<u>30,982,711</u>
Total liabilities and net assets	<u><u>\$31,303,709</u></u>	<u><u>\$31,678,486</u></u>

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Membership contributions	\$332,429	\$ -	\$332,429
Grants and contributions	1,387,190	157,889	1,545,079
Admissions and tours	462,997	-	462,997
Programs, classes, and events	519,670	-	519,670
Cultural enterprises	1,603,681	-	1,603,681
Investment income - operating	50,114	42,300	92,414
Other	85,618	-	85,618
Total operating revenues	<u>4,441,699</u>	<u>200,189</u>	<u>4,641,888</u>
Net assets released from restriction for operations	<u>1,077,530</u>	<u>(1,077,530)</u>	<u>-</u>
Operating expenses:			
Programs, education, and other cultural activities	800,595	-	800,595
Museum, tours, and visitor services	1,513,720	-	1,513,720
Cultural enterprises	971,602	-	971,602
Administration	838,455	-	838,455
Communication	441,780	-	441,780
Membership and development	360,330	-	360,330
Total operating expenses	<u>4,926,482</u>	<u>0</u>	<u>4,926,482</u>
Change in net assets from operating activities	<u>592,747</u>	<u>(877,341)</u>	<u>(284,594)</u>
Nonoperating items:			
Investment income - nonoperating	-	266,608	266,608
Contributions for capitalized assets	28,750	218,250	247,000
Capital or reserve contributions - designated by board	261,459	-	261,459
Depreciation	(954,148)	-	(954,148)
Net assets released from restrictions for capital improvements	36,250	(36,250)	-
Total nonoperating items	<u>(627,689)</u>	<u>448,608</u>	<u>(179,081)</u>
Change in net assets before changes related to items not capitalized	<u>(34,942)</u>	<u>(428,733)</u>	<u>(463,675)</u>
Collection items purchased	<u>(159,770)</u>	<u>-</u>	<u>(159,770)</u>
Change in net assets	<u>(194,712)</u>	<u>(428,733)</u>	<u>(623,445)</u>
Net assets - beginning of period	<u>23,713,231</u>	<u>7,269,480</u>	<u>30,982,711</u>
Net assets - end of period	<u><u>\$23,518,519</u></u>	<u><u>\$6,840,747</u></u>	<u><u>\$30,359,266</u></u>

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

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Membership contributions	\$316,175	\$ -	\$316,175
Grants and contributions	1,618,405	1,687,376	3,305,781
Admissions and tours	340,955	-	340,955
Programs, classes, and events	374,133	-	374,133
Cultural enterprises	1,399,894	-	1,399,894
Investment income - operating	19,898	170,000	189,898
Other	149,809	-	149,809
Total operating revenues	<u>4,219,269</u>	<u>1,857,376</u>	<u>6,076,645</u>
Net assets released from restriction for operations	<u>257,290</u>	<u>(257,290)</u>	<u>-</u>
Operating expenses:			
Programs, education, and other cultural activities	751,619	-	751,619
Museum, tours, and visitor services	1,348,812	-	1,348,812
Cultural enterprises	861,185	-	861,185
Administration	736,118	-	736,118
Communications	318,552	-	318,552
Membership and development	383,984	-	383,984
Total operating expenses	<u>4,400,270</u>	<u>0</u>	<u>4,400,270</u>
Change in net assets from operating activities	<u>76,289</u>	<u>1,600,086</u>	<u>1,676,375</u>
Nonoperating items:			
Investment income - nonoperating	-	98,040	98,040
Contributions for capitalized assets	-	51,250	51,250
Capital contributions - designated by board	520	-	520
Depreciation	(943,564)	-	(943,564)
Net assets released from restrictions for capital improvements	29,957	(29,957)	-
Total nonoperating items	<u>(913,087)</u>	<u>119,333</u>	<u>(793,754)</u>
Change in net assets before changes related to items not capitalized	<u>(836,798)</u>	<u>1,719,419</u>	<u>882,621</u>
Collection items purchased	<u>(4,850)</u>	<u>-</u>	<u>(4,850)</u>
Change in net assets	<u>(841,648)</u>	<u>1,719,419</u>	<u>877,771</u>
Net assets - beginning of period	<u>24,554,879</u>	<u>5,550,061</u>	<u>30,104,940</u>
Net assets - end of period	<u><u>\$23,713,231</u></u>	<u><u>\$7,269,480</u></u>	<u><u>\$30,982,711</u></u>

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

	2019						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$437,689	\$713,757	\$232,882	\$580,451	\$185,543	\$267,252	\$2,417,574
Cost of goods sold	-	-	568,834	-	-	-	568,834
Instructors and performers	106,618	23,514	-	154	-	-	130,286
Outside service	266	197,074	986	100,796	33,444	5,828	338,394
IT support	15,685	21,696	13,212	16,021	5,990	20,474	93,078
Utilities and insurance	27,080	112,264	54,715	26,179	1,380	1,207	222,825
Telephone and data	2,243	3,392	1,218	2,881	939	1,422	12,095
Repairs and maintenance	15,917	59,575	32,898	8,301	800	875	118,366
Equipment and space rent	15,799	6,757	4,702	1,017	327	(2,007)	26,595
Supplies	53,448	55,110	26,518	8,870	2,889	4,904	151,739
Exhibit expense	-	236,730	-	46,636	-	-	283,366
Other services & miscellaneous	22,595	3,145	115	1,792	879	3,791	32,317
Scholarship and grants	10,498	-	-	-	-	-	10,498
Food and catering	65,786	10,557	-	12,328	190	6,577	95,438
Postage and printing	2,956	23,410	621	8,560	73,021	36,323	144,891
Advertising and website	-	-	6	2,033	132,585	-	134,624
Travel and meals	4,385	26,619	2,986	18,924	85	3,063	56,062
License, fees, dues, and subscriptions	19,630	20,120	31,909	3,512	3,708	10,621	89,500
Total operating expense	800,595	1,513,720	971,602	838,455	441,780	360,330	4,926,482
Depreciation	208,252	355,933	313,885	66,936	4,863	4,279	954,148
Total expenses	1,008,847	1,869,653	1,285,487	905,391	446,643	364,609	5,880,630
Collection items purchased	-	159,770	-	-	-	-	159,770
Total expenses and collection items purchased	<u>\$1,008,847</u>	<u>\$2,029,423</u>	<u>\$1,285,487</u>	<u>\$905,391</u>	<u>\$446,643</u>	<u>\$364,609</u>	<u>\$6,040,400</u>

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

	2018						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$405,610	\$671,661	\$209,344	\$552,369	\$145,581	\$262,691	\$2,247,256
Cost of goods sold	-	-	498,379	-	-	-	498,379
Instructors and performers	86,734	4,814	-	450	-	-	91,998
Outside service	-	232,321	-	78,334	-	400	311,055
IT support	17,392	21,443	12,051	18,973	5,390	21,574	96,823
Utilities and insurance	25,981	111,331	52,779	25,240	1,324	1,158	217,813
Telephone and data	2,258	3,010	1,174	3,049	813	1,500	11,804
Repairs and maintenance	17,997	47,900	36,036	8,051	776	919	111,679
Equipment and space rent	21,725	1,622	6,313	1,095	292	540	31,587
Supplies	43,651	22,210	12,938	4,412	1,688	2,881	87,780
Exhibit expense	14,126	165,591	-	-	-	-	179,717
Other services & miscellaneous	30,842	3,991	2,850	9,717	1,188	44,095	92,683
Scholarship and grants	10,150	100	-	-	-	-	10,250
Food and catering	58,064	21,364	-	6,766	249	4,389	90,832
Postage and printing	2,793	4,094	1,882	2,863	58,592	32,923	103,147
Advertising and website	-	-	(545)	2,500	99,336	-	101,291
Travel and meals	698	22,329	1,565	19,069	91	2,174	45,926
License, fees, dues, and subscriptions	13,598	15,031	26,419	3,230	3,232	8,740	70,250
Total operating expense	751,619	1,348,812	861,185	736,118	318,552	383,984	4,400,270
Depreciation	206,189	351,119	310,023	67,216	4,796	4,221	943,564
Total expenses	957,808	1,699,931	1,171,208	803,334	323,348	388,205	5,343,834
Collection items purchased	-	4,850	-	-	-	-	4,850
Total expenses and collection items purchased	\$957,808	\$1,704,781	\$1,171,208	\$803,334	\$323,348	\$388,205	\$5,348,684

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, 2019 and 2018

Statement 4

	2019	2018
Cash flows from operating activities:		
Change in net assets before changes related to items not capitalized	(\$463,675)	\$882,621
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Increase in fair value of investments	(240,658)	(180,923)
Depreciation	954,148	943,564
Contributions restricted for capital asset additions	(78,250)	(51,250)
Noncash contribution of capital asset	-	(2,141)
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	706,102	(1,623,688)
(Increase) decrease in accounts receivable	(11,610)	(7,406)
(Increase) decrease in inventory and prepaids	14,331	(44,567)
Increase (decrease) in accounts payable, contracts payable, accrued expenses and deferred revenue	229,635	100,884
Net cash provided by operating activities	<u>1,110,023</u>	<u>17,094</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(654,384)	(15,834)
Purchase of investments, including reinvested income	(905,291)	(89,118)
Proceeds from sale of investments	681,422	526,910
Collection items purchased	(159,770)	(4,850)
Net cash provided (used) by investing activities	<u>(1,038,023)</u>	<u>417,108</u>
Cash flows from financing activities:		
Contributions restricted for capital asset additions	<u>78,250</u>	<u>51,250</u>
Net increase in cash	150,250	485,452
Cash at beginning of period	<u>1,097,711</u>	<u>612,259</u>
Cash at end of period	<u><u>\$1,247,961</u></u>	<u><u>\$1,097,711</u></u>
Supplemental information:		
Noncash investing and financing activities:		
Noncash contribution of capital asset	<u><u>\$0</u></u>	<u><u>\$2,141</u></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, 2019 and 2018

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 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, 2019 and 2018

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 measured at the lower of cost and net realizable value. Inventory is comprised of items for the museum shop.

E. COLLECTIONS FOR EXHIBITION

ASI's collection includes paintings, prints and drawings, Swedish glass, woodcarvings, woven textiles, needle arts, artifacts associated with the Turnblad family, books and manuscripts from Sweden and Swedish America, as well as Swedish folk and vernacular clothing, housewares, and tools. These items are made available to its members and the public to encourage a deeper understanding and enjoyment of Swedish culture. The collections are maintained for public exhibition, preservation, education, and research.

ASI's collections, acquired through purchase and contributions, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the Statement of Activities. Items contributed to the collection are not reflected in the statements. Proceeds from the sale of collections are used for the acquisition of new collections or for the direct care of existing collections.

F. LAND, BUILDING AND EQUIPMENT

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:

	Years
Building	10-50
Furniture and equipment	5-10

G. CONTRIBUTIONS RECEIVED

Contributions received are recorded as an increase in net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. Accordingly, net assets of ASI and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This category includes funds that have been internally designated by ASI.

Net Assets with Donor Restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. ASI reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

H. 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.

I. 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 \$98,121 and \$44,825 of donated goods for 2019 and 2018, respectively.

J. 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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2019 and 2018

K. FUNCTIONAL ALLOCATION OF EXPENSES

General administrative and building costs that benefit more than one cost center, including expenses such as information technology support, telephones, repairs and maintenance, equipment, building occupancy costs, supplies, dues and subscriptions, are allocated between functions. The allocation of expenses between functions are 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:

	2019			
	Operating	Nonoperating	Collection items Purchased	Total
Program services	\$3,285,917	\$878,070	\$159,770	\$4,323,757
Admin & communications	1,280,235	71,799	-	1,352,034
Memberships & development	360,330	4,279	-	364,609
Total expense	<u>\$4,926,482</u>	<u>\$954,148</u>	<u>\$159,770</u>	<u>\$6,040,400</u>

	2018			
	Operating	Nonoperating	Collection items Purchased	Total
Program services	\$2,961,616	\$867,331	\$4,850	\$3,833,797
Admin & communications	1,054,670	72,012	-	1,126,682
Memberships & development	383,984	4,221	-	388,205
Total expense	<u>\$4,400,270</u>	<u>\$943,564</u>	<u>\$4,850</u>	<u>\$5,348,684</u>

L. ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising expense was \$129,434 and \$96,401 for 2019 and 2018, respectively.

M. 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 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. Conditional promises to give that are likely to be collected at September 30, 2019 and 2018 were \$0 and \$270,000, respectively.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2019 and 2018

Unconditional contributions and grants receivable consist of the following:

	September 30,	
	2019	2018
Due in one year	\$1,048,698	\$1,069,800
Due in two to five years	-	685,000
Total	<u>\$1,048,698</u>	<u>\$1,754,800</u>

No discount was applied to receivables in 2019 or 2018 because management determined the amount to be immaterial. As of September 30, 2019, 99% of contributions receivable was from four donors. As of September 30, 2018, 97% of contributions receivable was from two donors.

N. 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.

O. PRIOR YEAR RECLASSIFICATION

Certain prior year amounts were reclassified to conform with current year presentation.

Note 2 LIQUIDITY AND AVAILABILITY

ASI's financial assets available within one year of the statement of financial position date for general expenditure, that is, without donor or other restrictions limiting their use, are as follows:

	2019
Cash and cash equivalents	\$1,247,961
Accounts receivable	45,448
Grants and contributions receivable	1,048,698
Investments	6,796,555
Less:	
Amounts designated by the board	(836,915)
Amounts subject to donor restrictions:	
Time or purpose restrictions	(3,042,800)
Perpetual in nature	<u>(3,797,947)</u>
Total	<u>\$1,461,000</u>

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Due to the nature of the restrictions from contributions received from donors, ASI has omitted all donor restricted contributions, as well as assets designated by the board which are considered to be unavailable for general expenditures.

As part of its liquidity management, ASI structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, ASI invests cash in excess of daily requirements in short term investments pursuant to ASI's investment policy. To help manage unanticipated liquidity needs American Swedish Institute has a cash reserve designated by the board in the amount of \$836,915 and a committed line of credit in the amount of \$500,000, which could be drawn upon or used in the event of an unanticipated liquidity need.

Note 3 CONCENTRATIONS OF CREDIT RISK - CASH DEPOSITS IN EXCESS OF FDIC

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 4 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, 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.

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Note 5 INVESTMENTS

ASI's investments consist of the following:

	<u>2019</u>	<u>2018</u>
Investments at fair value:		
Money market funds	\$607,566	\$115,244
Fixed income	2,860,666	2,803,814
Equities	2,479,569	2,489,004
Complementary strategies	346,516	483,163
Real assets	<u>497,290</u>	<u>435,855</u>
Total at fair value	6,791,607	6,327,080
Investments at cost:		
Accrued interest	<u>4,948</u>	<u>4,948</u>
Total investments	<u>\$6,796,555</u>	<u>\$6,332,028</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>2019</u>	<u>2018</u>
Interest and dividends	\$171,093	\$162,751
Change in fair value	240,659	180,923
Investment fees	<u>(52,730)</u>	<u>(55,736)</u>
Net investment income	<u>\$359,022</u>	<u>\$287,938</u>

Recap as presented on the Statement of Activities:

	<u>2019</u>	<u>2018</u>
Operating revenue	\$92,414	\$189,898
Nonoperating revenue	<u>266,608</u>	<u>98,040</u>
Net investment income	<u>\$359,022</u>	<u>\$287,938</u>

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Note 6 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, 2019			
	Level 1	Level 2	Total
Investments:			
Mutual funds and exchange traded funds	\$2,579,824	\$ -	\$2,579,824
Corporate stock	1,758,758	-	1,758,758
Government bonds	305,341	1,078,971	1,384,312
Corporate bonds	-	1,068,713	1,068,713
Total	<u>\$4,643,923</u>	<u>\$2,147,684</u>	<u>\$6,791,607</u>

September 30, 2018			
	Level 1	Level 2	Total
Investments:			
Mutual funds and exchange traded funds	\$1,792,253	\$ -	\$1,792,253
Corporate stock	1,731,014	-	1,731,014
Government bonds	931,298	850,371	1,781,669
Corporate bonds	-	1,022,144	1,022,144
Total	<u>\$4,454,565</u>	<u>\$1,872,515</u>	<u>\$6,327,080</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.

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Note 7 LAND, BUILDING AND EQUIPMENT

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

	September 30,	
	2019	2018
Land	\$6,155,000	\$6,155,000
Building	23,958,712	23,951,112
Furniture and equipment	1,544,947	1,445,200
Construction in progress	547,036	-
	32,205,695	31,551,312
Less accumulated depreciation	(10,360,833)	(9,406,686)
Total	<u>\$21,844,862</u>	<u>\$22,144,626</u>

Note 8 DEFERRED REVENUE

Deferred revenue represents advance receipt of amounts not earned, but which will be included in revenue in a subsequent year. Deferred revenue consists of the following:

	September 30,	
	2019	2018
Current:		
Rent	\$39,600	\$38,400
Program revenue	114,788	30,964
Gift certificates	6,650	6,382
Other	24,710	14,571
Total current	185,748	90,317
Noncurrent - rent	203,004	242,604
Total	<u>\$388,752</u>	<u>\$332,921</u>

As described in Note 14, prepaid rent is being recognized over a 15 year period beginning June 14, 2012.

Note 9 DEBT

ASI has a working line of credit, with maximum borrowings of \$500,000 until June 30, 2020. The line of credit has a variable interest equal to the prime rate plus 0.4%, with a minimum rate of 5.0%. The interest rate was 5.40% and 5.75% at September 30, 2019 and 2018, respectively. 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, 2019 and 2018.

Total interest incurred was \$0 for year of the years ending September 30, 2019 and 2018.

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Note 10 RETIREMENT PLANS

ASI has a deferred compensation plan under section 457(b) of the Internal Revenue Code for highly compensated employees as defined by the Internal Revenue Code. Employer contributions to the plan are the lesser of \$17,500, adjusted for the calendar year to reflect increased in cost-of-living in accordance with section 457e(15) and 415(d) of the Internal Revenue Code, or 100% of the participants includable compensation for the taxable year. The deferred compensation asset and liability are measured at fair market value as of the last day of the plan year. in accordance with ASI's deferred compensation plan. Total expense for each of the years ended September 30, 2019 and 2018 was 18,000.

Note 11 NET ASSETS

Net assets with donor restrictions were comprised of the following:

	September 30,	
	2019	2018
Subject to expenditure for specific purpose:		
Anne Ray Foundation	\$634,841	\$1,660,071
Pommer Trust ¹ (building, maintenance, acquisition, and improvements)	667,991	668,641
Minnesota Historical Society	171,250	-
Other	157,314	98,119
	<u>1,631,396</u>	<u>2,426,831</u>
Subject to passage of time	100,000	-
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
David LaVine Family Fund (building, maintenance and improvements)	330,389	261,084
David LaVine Cultural Fund (cultural programs)	52,921	46,257
Ruth LaVine Memorial Fund (Swedish events and cultural programs)	12,202	11,603
Heritage Fund	482,206	379,188
Malmberg Scholarship and Study Fund (Swedish education programs)	260,212	211,565
Carlson Gardens (maintenance of verandah gardens)	17,572	13,271
Boyer Palmer Endowment Fund (general operations)	155,902	121,734
	<u>1,311,404</u>	<u>1,044,702</u>
Subject to ASI endowment spending policy and appropriation:		
David LaVine Family Fund (building, maintenance and improvements)	1,000,000	1,000,000
David LaVine Cultural Fund (cultural programs)	50,000	50,000
Ruth LaVine Memorial Fund (Swedish events and 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 Fund (general operations)	500,000	500,000
	<u>3,797,947</u>	<u>3,797,947</u>
Total	<u>\$6,840,747</u>	<u>\$7,269,480</u>

¹ This is a term endowment. The principal portion of the Pommer Trust cannot be distributed for 99 years, which would be fiscal year 2090.

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Net assets without donor restrictions that have been designated by the Board were comprised of the following:

	September 30,	
	2019	2018
Estate gifts	\$836,915	\$542,013

Note 12 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 net assets with donor restrictions not subject to appropriation, as (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 endowment not subject to appropriation 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 is classified as net assets with donor restrictions subject to appropriation until those amounts are appropriated for expenditure by ASI.

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C. FINANCIAL INFORMATION

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

	2019		
	Purpose or Time Restricted	Permanent in Nature	Total
Endowment net assets beginning of period	\$1,044,702	\$3,797,947	\$4,842,649
Investment return	271,402	-	271,402
Appropriation of endowment assets for expenditure	(4,700)	-	(4,700)
Contributions	-	-	-
Endowment net assets end of period	<u>\$1,311,404</u>	<u>\$3,797,947</u>	<u>\$5,109,351</u>

	2018		
	Purpose or Time Restricted	Permanent in Nature	Total
Endowment net assets beginning of period	\$948,662	\$3,797,947	\$4,746,609
Investment return	230,040	-	230,040
Appropriation of endowment assets for expenditure	(134,000)	-	(134,000)
Contributions	-	-	-
Endowment net assets end of period	<u>\$1,044,702</u>	<u>\$3,797,947</u>	<u>\$4,842,649</u>

D. INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS

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

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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. The distribution rate is discretionary. No formal spending amount was approved by the Board in 2019. The Board approved a spending amount of 3-4% of the average fair value of the prior three years in 2018.

Note 13 OPERATING LEASES

ASI has noncancelable operating leases for office equipment. Rent expenses for 2019 and 2018 were \$6,014 and \$4,093, respectively.

The following is a schedule of future minimum payments for non-cancellable operating leases:

<u>Years Ending</u> <u>September 30,</u>	
2020	\$9,409
2021	8,439
2022	<u>3,436</u>
Total	<u><u>\$21,284</u></u>

Note 14 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 Nelson Cultural Center. 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 \$242,604 and \$281,004 at September 30, 2019 and 2018, respectively.

Note 15 COMMITTED CONTRACTS

A. FOOD AND BEVERAGES MANAGEMENT

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. This agreement was renewed on May 16, 2019 for another five year term effective through December 29, 2024. This agreement is subject to earlier termination rights.

B. ARCHITECTURAL AND ENGINEERING SERVICES

On March 18, 2019, ASI entered into a committed contract for the architectural and engineering services from Pre-Design phase through Construction Documents phase for the mansion, veranda, and carriage house. The remaining committed contract at September 30, 2019, was \$516,575.

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Note 16 CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2018, ASI implemented the provisions of Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-For-Profit Entities*. This update addresses the complexity and understandability of the net assets classification, deficiencies in information about liquidity an availability of resources, and the lack of consistency in the type of information provided about expense and investment return. The presentation of the financial statements have been adjusted accordingly. Net assets as of October 1, 2017 were restated by category with no impact on total net assets.

Note 17 SUBSEQUENT EVENTS AND UNCERTAINTIES

Management has evaluated subsequent events through May 4, 2020, the date which the financial statements were available to be issued.

The COVID-19 pandemic continues to cause rapidly changing disruptions world-wide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact of COVID-19 on ASI's future operations.

Subsequent to September 30, 2019, ASI has obtained a loan under the provisions of the Paycheck Protection Program. The amount of the loan is \$434,550 of which ASI anticipates that a significant portion of this amount will be forgiven under the terms of the agreement. ASI has not determined the exact amount to be forgiven, but any portion not forgiven will be payable over two years including interest at 1.00%.