

**THE AMERICAN SWEDISH INSTITUTE**

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

Years Ended September 30, 2020 and 2019

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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, 2020 and 2019, 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**

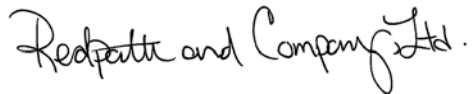
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Redpath and Company Ltd.".

REDPATH AND COMPANY, LTD.  
St. Paul, Minnesota

March 10, 2021

## **FINANCIAL STATEMENTS**

**THE AMERICAN SWEDISH INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2020 and 2019

**Statement 1**

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$2,197,934	\$1,247,961
Accounts receivable	62,912	45,448
Grants and contributions receivable, net	1,719,024	1,048,698
Inventory	202,217	192,266
Prepaid expenses	19,187	36,562
Total current assets	4,201,274	2,570,935
Noncurrent assets:		
Deferred compensation asset	101,582	91,357
Grants and contributions receivable, net	1,385,000	-
Investments	7,473,078	6,796,555
Land, building, and equipment, net	21,635,441	21,844,862
Collections for exhibitions (Note 1E)	-	-
Total noncurrent assets	30,595,101	28,732,774
Total assets	\$34,796,375	\$31,303,709
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$80,667	\$185,194
Contracts payable	78,781	153,150
Accrued expenses	134,649	125,990
Deferred revenue	96,422	185,748
Total current liabilities	390,519	650,082
Noncurrent liabilities:		
Deferred compensation liability	101,582	91,357
Deferred revenue	162,204	203,004
Paycheck Protection Program loan	434,550	-
Total noncurrent liabilities	698,336	294,361
Total liabilities	1,088,855	944,443
Net assets:		
Without donor restrictions:		
Undesignated	21,701,148	22,681,604
Designated by the board	880,550	836,915
	22,581,698	23,518,519
With donor restrictions:		
Time and purpose restrictions	7,327,875	3,042,800
Perpetual in nature	3,797,947	3,797,947
	11,125,822	6,840,747
Total net assets	33,707,520	30,359,266
Total liabilities and net assets	\$34,796,375	\$31,303,709

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



**THE AMERICAN SWEDISH INSTITUTE**  
**STATEMENTS OF ACTIVITIES**  
For The Years Ended September 30, 2020 and 2019

**Statement 2**  
**Page 1 of 2**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Membership contributions	\$325,956	\$ -	\$325,956
Grants and contributions	1,040,234	3,027,159	4,067,393
Admissions and tours	193,939	-	193,939
Programs, classes, and events	336,021	-	336,021
Cultural enterprises	874,988	-	874,988
Investment income - operating	56,247	292,143	348,390
Other	162,151	-	162,151
Total operating revenues	2,989,536	3,319,302	6,308,838
Net assets released from restriction for operations	1,203,188	(1,203,188)	-
Operating expenses:			
Programs, education, and other cultural activities	653,638	-	653,638
Museum, tours, and visitor services	1,268,544	-	1,268,544
Cultural enterprises	686,521	-	686,521
Administration	823,898	-	823,898
Communication	319,424	-	319,424
Membership and development	424,017	-	424,017
Total operating expenses	4,176,042	0	4,176,042
Change in net assets from operating activities	16,682	2,116,114	2,132,796
Nonoperating items:			
Investment income - nonoperating	-	25,153	25,153
Contributions for capitalized assets	-	2,148,885	2,148,885
Depreciation	(957,915)	-	(957,915)
Net assets released from restrictions for capital improvements	5,077	(5,077)	-
Total nonoperating items	(952,838)	2,168,961	1,216,123
Change in net assets before changes related to items not capitalized	(936,156)	4,285,075	3,348,919
Collection items purchased	(665)	-	(665)
Change in net assets	(936,821)	4,285,075	3,348,254
Net assets - beginning of period	23,518,519	6,840,747	30,359,266
Net assets - end of period	\$22,581,698	\$11,125,822	\$33,707,520

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

**THE AMERICAN SWEDISH INSTITUTE**  
**STATEMENTS OF ACTIVITIES**  
For The Years Ended September 30, 2020 and 2019

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

	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	4,441,699	200,189	4,641,888
Net assets released from restriction for operations	1,077,530	(1,077,530)	-
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
Communications	441,780	-	441,780
Membership and development	360,330	-	360,330
Total operating expenses	4,926,482	0	4,926,482
Change in net assets from operating activities	592,747	(877,341)	(284,594)
Nonoperating items:			
Investment income - nonoperating	-	266,608	266,608
Contributions for capitalized assets	28,750	218,250	247,000
Capital 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	(627,689)	448,608	(179,081)
Change in net assets before changes related to items not capitalized	(34,942)	(428,733)	(463,675)
Collection items purchased	(159,770)	-	(159,770)
Change in net assets	(194,712)	(428,733)	(623,445)
Net assets - beginning of period	23,713,231	7,269,480	30,982,711
Net assets - end of period	\$23,518,519	\$6,840,747	\$30,359,266

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

	2020						
	Programs, Education, and Cultural Activities	Museum, Tours, and Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$428,185	\$757,144	\$227,549	\$591,052	\$193,568	\$243,159	\$2,440,657
Cost of goods sold	-	-	324,338	-	-	-	324,338
Instructors and performers	69,321	26,220	-	-	-	-	95,541
Outside service	2,490	20,173	2,862	130,396	3,736	22,616	182,273
IT support	16,520	28,098	12,169	18,247	5,918	18,799	99,751
Utilities and insurance	20,105	93,407	33,936	26,183	1,024	895	175,550
Telephone and data	2,980	5,057	1,718	4,045	1,303	1,706	16,809
Repairs and maintenance	16,433	90,462	27,739	8,689	837	733	144,893
Equipment and space rent	11,258	3,208	2,100	3,521	1,118	1,461	22,666
Supplies	33,994	59,600	24,755	14,532	4,321	11,967	149,169
Exhibit expense	-	120,637	-	-	-	-	120,637
Other services & miscellaneous	3,830	21,360	3,242	4,367	345	1,986	35,130
Scholarship and grants	7,762	-	-	-	-	-	7,762
Food and catering	31,500	8,347	-	3,101	143	68,055	111,146
Postage and printing	837	17,275	1,369	953	50,681	28,070	99,185
Advertising and website	-	54	836	1,602	45,757	164	48,413
Travel and meals	456	685	1,730	12,480	1	8,086	23,438
License, fees, dues, and subscriptions	7,967	16,817	22,178	4,730	10,672	16,320	78,684
Total operating expense	653,638	1,268,544	686,521	823,898	319,424	424,017	4,176,042
Depreciation	208,785	356,727	314,995	68,255	4,869	4,284	957,915
Total expenses	862,423	1,625,271	1,001,516	892,153	324,293	428,301	5,133,957
Collection items purchased	-	665	-	-	-	-	665
Total expenses and collection items purchased	\$862,423	\$1,625,936	\$1,001,516	\$892,153	\$324,293	\$428,301	\$5,134,622

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

	2019						
	Programs, Education, and Cultural Activities	Museum, Tours, and 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	\$1,008,847	\$2,029,423	\$1,285,487	\$905,391	\$446,643	\$364,609	\$6,040,400

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, 2020 and 2019

**Statement 4**

	2020	2019
Cash flows from operating activities:		
Change in net assets before changes related to items not capitalized	\$3,348,919	(\$463,675)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Increase in fair value of investments	(269,308)	(240,658)
Depreciation	889,933	954,148
Contributions restricted for capital asset additions	(2,288,885)	(78,250)
Contributed investments	(595,012)	-
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	(2,055,326)	706,102
(Increase) decrease in accounts receivable	(17,464)	(11,610)
(Increase) decrease in inventory and prepaids	7,424	14,331
Increase (decrease) in accounts payable, contracts payable, accrued expenses and deferred revenue	(290,138)	248,668
Net cash provided by (used in) operating activities	<u>(1,269,857)</u>	<u>1,129,056</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(680,512)	(654,384)
Purchase of investments, including reinvested income	(104,234)	(905,291)
Proceeds from sale of investments	292,031	681,422
Collection items purchased	(665)	(159,770)
Net cash used in investing activities	<u>(493,380)</u>	<u>(1,038,023)</u>
Cash flows from financing activities:		
Contributions restricted for capital asset additions	2,288,885	78,250
Proceeds from Paycheck Protection Program loan	434,550	-
Net cash provided by financing activities	<u>2,723,435</u>	<u>78,250</u>
Net increase in cash, cash equivalents, and restricted cash	960,198	169,283
Cash, cash equivalents and restricted cash - beginning of year	<u>1,339,318</u>	<u>1,170,035</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$2,299,516</u></u>	<u><u>\$1,339,318</u></u>

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

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**THE AMERICAN SWEDISH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended September 30, 2020 and 2019

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**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, 2020 and 2019

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**B. COVID-19 IMPACTS**

On March 14, 2020, ASI closed to the public in accordance with directives issued by the State of Minnesota due to the COVID-19 global pandemic. ASI remained closed until September 10, 2020, when it reopened under limited capacities and offerings, with significant safety and cleaning protocols. During the closure, ASI's primary focus was to ensure the safety of essential personnel onsite, transition to remote work where possible, continue digital delivery of mission-related programs, and navigating the financial and operational uncertainty of planning about the future.

**C. 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.

**D. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH**

ASI treats highly liquid short-term investments with a maturity of three months or less to be cash equivalents. 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. ASI has not experienced a loss as a result of these deposits.

Restricted cash includes cash restricted for a deferred compensation asset. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the corresponding amounts in the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$2,197,934	\$1,247,961
Deferred compensation asset	<u>101,582</u>	<u>91,357</u>
Total	<u><u>\$2,299,516</u></u>	<u><u>\$1,339,318</u></u>

**E. ACCOUNTS RECEIVABLE**

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.



**THE AMERICAN SWEDISH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended September 30, 2020 and 2019

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**F. CONTRIBUTIONS AND GRANTS RECEIVABLE**

ASI records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Unconditional contributions and grants receivable consist of the following:

	September 30,	
	2020	2019
Due in one year	\$1,666,620	\$1,048,698
Due in two to five years	1,385,000	-
Total	<u>\$3,051,620</u>	<u>\$1,048,698</u>

No discount was applied to receivables in 2020 or 2019 because management determined the amount to be immaterial. ASI expects all contributions and grants receivable to be collected, therefore, no allowance for uncollectible amounts has been recorded as of September 30, 2020 and 2019.

As of September 30, 2020, 96% of contributions receivable was from three donors. As of September 30, 2019, 99% of contributions receivable was from four donors.

**G. INVENTORIES**

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

**H. 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.

**THE AMERICAN SWEDISH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended September 30, 2020 and 2019

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**I. 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:

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

**J. NET ASSETS**

Net assets, revenues, expenses, gains and losses are classified based 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 reports ad 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.

**K. REVENUE AND REVENUE RECOGNITION**

MEMBERSHIP CONTRIBUTIONS

Membership fees are recognized as contributions without donor restriction in the period received, as the benefits received by members for their membership are deemed to be immaterial.

GRANTS AND CONTRIBUTIONS

Grants and contributions are recognized as revenue when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give that were likely to be collected at September 30, 2020 and 2019.

**THE AMERICAN SWEDISH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
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Cost-reimbursable grants are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue without donor restrictions when qualifying expenses have been incurred in compliance with specific contract and grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statements of financial position.

**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 \$7,100 and \$98,121 of donated goods for 2020 and 2019, respectively.

**PROGRAM REVENUE**

Admissions and tours, programs, classes and events, cultural enterprises (consisting of rental income, museum shop sales and other enterprise revenues), and other program income are exchange transactions for services provided or goods sold to customers. Revenue from programs, classes and events, and cultural enterprises are recognized over time, as the underlying services are provided. Revenue from admissions and tours and museum shop sales are recognized at a point in time when the admissions and tours take place. Revenue from rental revenue is recognized over the term of the lease agreements as the space is made available.

**L. 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.

**M. 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.

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ASI's expenses are classified as follows:

	2020			
	Operating	Nonoperating	Collection items Purchased	Total
Program services	\$2,608,703	\$880,507	\$665	\$3,489,875
Admin & communications	1,143,322	73,124	-	1,216,446
Memberships & development	424,017	4,284	-	428,301
Total expense	<u>\$4,176,042</u>	<u>\$957,915</u>	<u>\$665</u>	<u>\$5,134,622</u>

	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>

**N. ADVERTISING COSTS**

Advertising costs are expensed as incurred. Total advertising expense was \$0 and \$129,434 for 2020 and 2019, respectively.

**O. USE OF 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.

**P. PRIOR YEAR RECLASSIFICATION**

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

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**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:

	2020	2019
Cash and cash equivalents	\$2,197,934	\$1,247,961
Accounts receivable	62,912	45,448
Grants and contributions receivable	1,719,024	1,048,698
Investments	7,473,078	6,796,555
Less:		
Amounts designated by the board	(880,550)	(836,915)
Amounts subject to donor restrictions:		
Time or purpose restrictions **	(5,942,875)	(3,042,800)
Perpetual in nature	(3,797,947)	(3,797,947)
Total	<u>\$831,576</u>	<u>\$1,461,000</u>

\*\* Excludes \$1,385,000 and \$0 of purpose restrictions related to noncurrent assets at December 31, 2020 and 2019, respectively.

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 \$880,550, which could be drawn upon or used in the event of an unanticipated liquidity need.

**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, 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 4 INVESTMENTS**

ASI's investments consist of the following:

	September 30,	
	2020	2019
Investments at fair value:		
Money market funds	\$974,776	\$607,566
Fixed income	3,085,784	2,860,666
Equities	2,911,960	2,479,569
Complementary strategies	126,622	346,516
Real assets	369,099	497,290
Total at fair value	7,468,241	6,791,607
Investments at cost:		
Accrued interest	4,837	4,948
Total investments	\$7,473,078	\$6,796,555

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:

	2020	2019
Interest and dividends	\$164,530	\$171,093
Change in fair value	269,308	240,659
Investment fees	(60,295)	(52,730)
Net investment income	\$373,543	\$359,022

Recap as presented on the statements of activities:

	2020	2019
Operating revenue	\$348,390	\$92,414
Nonoperating revenue	25,153	266,608
Net investment income	\$373,543	\$359,022

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**Note 5 FAIR VALUE MEASUREMENTS**

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

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

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

September 30, 2020			
	Level 1	Level 2	Total
Investments:			
Mutual funds and exchange traded funds	\$2,808,938	\$ -	\$2,808,938
Corporate stock	2,012,782	-	2,012,782
Government bonds	300,925	1,052,073	1,352,998
Corporate bonds	-	1,293,523	1,293,523
Total	<u>\$5,122,645</u>	<u>\$2,345,596</u>	<u>\$7,468,241</u>
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>

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 6 LAND, BUILDING AND EQUIPMENT**

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

	September 30,	
	2020	2019
Land	\$6,155,000	\$6,155,000
Building	23,958,712	23,958,712
Furniture and equipment	1,551,181	1,544,947
Construction in progress	1,289,297	547,036
	32,954,190	32,205,695
Less accumulated depreciation	(11,318,749)	(10,360,833)
Total	<u>\$21,635,441</u>	<u>\$21,844,862</u>

**Note 7 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,	
	2020	2019
Current:		
Rent	\$40,800	\$39,600
Program revenue	47,383	114,788
Gift certificates	8,239	6,650
Other	-	24,710
Total current	96,422	185,748
Noncurrent - rent	162,204	203,004
Total	<u>\$258,626</u>	<u>\$388,752</u>

As described in Note 13, prepaid rent is being recognized over a 15-year period beginning June 14, 2012.

**Note 8 PAYCHECK PROTECTION PROGRAM LOAN**

ASI entered into an unsecured loan agreement with Cambridge State Bank (the Lender) on April 17, 2020 for \$434,550, pursuant to the Paycheck Protection Program (PPP) created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The loan proceeds are to be used for payroll costs, payments on mortgage interest, rent, utilities, and interest on other debt obligations, with at least 60% of the amount to be used for payroll costs as permitted by the CARES Act. The loan is subject to the forgiveness provisions of Section 1106 of the CARES Act and the SBA Interim Final Rule dated April 2, 2020. The amount of loan forgiveness is determined by and is subject to the approval of the SBA. The loan is recorded as a noncurrent liability until the SBA has granted approval for forgiveness.



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The Paycheck Protection Flexibility Act of 2020, P.L. 116-142, extended the deferral period for loan payments to either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. Loans will mature two years from the date of the loan and bear interest at 1.0%.

The SBA granted ASI full forgiveness of the loan effective February 21, 2021.

**Note 9    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 the year ended September 30, 2020 and 2019 was \$10,000 and 18,000, respectively.

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**Note 10 NET ASSETS**

Net assets with donor restrictions were comprised of the following:

	September 30,	
	2020	2019
Subject to expenditure for specific purpose:		
Anne Ray Foundation	\$3,009,054	\$634,841
Pommer Trust <sup>1</sup> (building, maintenance, acquisition, and improvements)	674,966	667,991
Minnesota Historical Society	-	171,250
Capital campaign expansion project	2,148,885	-
Other	166,883	157,314
	<u>5,999,788</u>	<u>1,631,396</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)	333,267	330,389
David LaVine Cultural Fund (cultural programs)	58,591	52,921
Ruth LaVine Memorial Fund (Swedish events and cultural program)	13,645	12,202
Heritage Fund	486,485	482,206
Malmberg Scholarship and Study Fund (Swedish education program)	256,901	260,212
Carlson Gardens (maintenance of verandah gardens)	21,877	17,572
Boyer Palmer Endowment Fund (general operations)	157,321	155,902
	<u>1,328,087</u>	<u>1,311,404</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)	75,000	75,000
Ruth LaVine Memorial Fund (Swedish events and cultural program)	50,000	50,000
Heritage Fund	1,495,359	1,495,359
Malmberg Scholarship and Study Fund (Swedish education program)	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>\$11,125,822</u>	<u>\$6,840,747</u>

<sup>1</sup> 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,	
	2020	2019
Estate gifts	<u>\$880,550</u>	<u>\$836,915</u>

**Note 11 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:

	2020		
	Purpose or Time Restricted	Permanent in Nature	Total
Endowment net assets beginning of period	\$1,311,404	\$3,797,947	\$5,109,351
Investment return	271,897	-	271,897
Appropriation of endowment assets for expense	(255,214)	-	(255,214)
Contributions	-	-	-
Endowment net assets end of period	<u>\$1,328,087</u>	<u>\$3,797,947</u>	<u>\$5,126,034</u>
	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 expense	(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>

**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 generates 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 2020. The Board approved a spending amount of 3-4% of the average fair value of the prior three years in 2019.

**Note 12 OPERATING LEASES**

ASI has noncancelable operating leases for office equipment. Rent expenses for 2020 and 2019 were \$10,020 and \$3,948, respectively.

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

<u>Years Ending</u> <u>September 30,</u>	
2021	\$9,989
2022	7,356
2023	1,859
2024	1,859
2025	1,859
Thereafter	<u>775</u>
Total	<u><u>\$23,697</u></u>

**Note 13 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 \$203,004 and \$242,604 at September 30, 2020 and 2019, respectively.

**Note 14 COMMITTED CONTRACTS - FOOD AND BEVERAGE 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.

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**Note 15 CHANGES IN ACCOUNTING PRINCIPLE**

ASI implemented the provisions of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*.

ASU 2014-09 provides new revenue recognition standards, eliminating the transaction- and industry-specific revenue recognition guidance and replaces it with a principle-based approach for determining revenue recognition. Implementation of this standard did not result in any changes to amounts previously reported and, accordingly, no restatement was applicable.

ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Implementation of this standard did not result in any changes to amounts previously reported and, accordingly, no restatement was applicable.

ASU 2016-18 requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. The previously reported statement of cash flows was restated to include restricted cash as a component of total cash and cash equivalents in the statement of cash flows.

**Note 16 SUBSEQUENT EVENTS AND UNCERTAINTIES**

Management has evaluated subsequent events through March 10, 2021, the date which the financial statements were available to be issued.

The COVID-19 pandemic continues to cause disruptions world-wide. While ASI expects this matter to negatively impact its results, 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. After reopening on September 10, 2020 ASI was required by state mandate to close the museum and food services for a second time on November 21, 2020, though the museum store was allowed to remain open. This second closure ended on February 6, 2021, when all on-site operations reopened with limited capacities.

While it is not possible to reasonably estimate the financial impact of COVID-19 on ASI's future operations due to conditions such as the daily impacts of opening and closing due to the up and down cycle of the virus and the lasting impacts of George Floyd's death, ASI personnel have not stood still.

Board and management have taken steps to assure institutional resilience during this time of enormous change and challenge in our communities. Management is monitoring its operations and carefully monitoring all expenditures and income streams on a weekly basis. During our closure, ASI benefitted from increased giving from our generous and loyal members and other community partners. New services to our audience members were developed that created revenue streams (especially with on-line classes and learning opportunities) that will continue beyond renewal of on-site activities, such as virtual programming, tours, and classes. Our museum store has developed curb-side pickup and will soon be able to offer e-commerce options for our customers in distant locations. Fika café has now reopened with limited seating capacities, and customer response has been steadily increasing. Fika will soon offer a more robust carry-out menu. ASI have applied for and received special federal, state and local grants to support continuing operations. Forgiveness of our first PPP loan was applied for and received. A second PPP loan was also applied for and received. The Board is now focused on strategic planning, with a review of our mission, vision, and values that will lead to a 3-4 year strategic vision for our immediate near-term future. Plans and fundraising are now underway for the renewal and renovation of our historic Turnblad Mansion, as well as the development of an interpretive plan for new visitor experiences.

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Management is also examining the implications for and benefits to the staff from the new work-at-home environment and its impact upon the planned re-design of our office spaces within the Carriage House. ASI is participating in a national cohort of museums in a project sponsored by the American Alliance of Museums that is focused on developing institutional board leadership that assures that diversity, equity, accessibility and inclusion are central to our work. In anticipation of potential civic unrest as a consequence of the upcoming trials of defendants accused of the murder of George Floyd, ASI has purchased materials to protect the campus and its staff and visitors during the trial period, as well as developed emergency response protocols.

On January 22, 2021, ASI entered into a second unsecured loan agreement with Cambridge State Bank for \$434,550, pursuant to the Paycheck Protection Program (PPP) created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The loan proceeds are to be used for payroll costs and utilities, with at least 60% of the amount to be used for payroll costs as permitted by the CARES Act and is subject to the forgiveness provisions of Section 1106 of the CARES Act and the SBA Interim Final Rule dated April 2, 2020, as further described in Note 8 above.

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