

THE AMERICAN SWEDISH INSTITUTE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2021 and 2020

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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, 2021 and 2020, 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

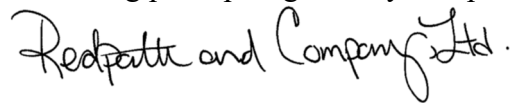
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2021 and 2020, 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

January 19, 2022

FINANCIAL STATEMENTS

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THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

Statement 1

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$3,447,113	\$2,197,934
Accounts receivable	72,962	62,912
Grants and contributions receivable, net	1,649,547	1,719,024
Inventory	234,141	202,217
Prepaid expenses	75,323	19,187
Total current assets	<u>5,479,086</u>	<u>4,201,274</u>
Noncurrent assets:		
Deferred compensation asset	102,334	101,582
Grants and contributions receivable, net	617,500	1,385,000
Investments	7,649,287	7,473,078
Land, building, and equipment, net	20,934,161	21,635,441
Collections for exhibitions (Note 1H)	-	-
Total noncurrent assets	<u>29,303,282</u>	<u>30,595,101</u>
Total assets	<u><u>\$34,782,368</u></u>	<u><u>\$34,796,375</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$81,396	\$80,667
Contracts payable	24,622	78,781
Accrued expenses	175,262	134,649
Deferred revenue	127,721	96,422
Total current liabilities	<u>409,001</u>	<u>390,519</u>
Noncurrent liabilities:		
Deferred compensation liability	102,334	101,582
Deferred revenue	125,900	162,204
Refundable advance - PPP loan	-	434,550
Total noncurrent liabilities	<u>228,234</u>	<u>698,336</u>
Total liabilities	<u>637,235</u>	<u>1,088,855</u>
Net assets:		
Without donor restrictions:		
Undesignated	21,581,725	21,701,148
Designated by the board	994,200	880,550
	<u>22,575,925</u>	<u>22,581,698</u>
With donor restrictions:		
Time or purpose restrictions	7,771,261	7,327,875
Perpetual in nature	3,797,947	3,797,947
	<u>11,569,208</u>	<u>11,125,822</u>
Total net assets	<u>34,145,133</u>	<u>33,707,520</u>
Total liabilities and net assets	<u><u>\$34,782,368</u></u>	<u><u>\$34,796,375</u></u>

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF ACTIVITIES
For The Years Ended September 30, 2021 and 2020

Statement 2
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	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Membership contributions	\$298,918	\$ -	\$298,918
Grants and contributions	862,018	-	862,018
Governmental grant - PPP loans	869,100	-	869,100
Admissions and tours	121,950	-	121,950
Programs, classes, and events	306,135	-	306,135
Cultural enterprises	678,336	-	678,336
Investment income - operating	210,889	377,113	588,002
Other	81,220	-	81,220
Total operating revenues	3,428,566	377,113	3,805,679
Net assets released from restriction for operations	1,035,418	(1,035,418)	-
Operating expenses:			
Programs, education, and other cultural activities	604,299	-	604,299
Museum, tours, and visitor services	1,043,453	-	1,043,453
Cultural enterprises	626,296	-	626,296
Administration	877,180	-	877,180
Communication	524,465	-	524,465
Membership and development	372,698	-	372,698
Total operating expenses	4,048,391	0	4,048,391
Change in net assets from operating activities	415,593	(658,305)	(242,712)
Nonoperating items:			
Investment income - nonoperating	-	329,120	329,120
Contributions for capitalized assets	-	1,314,624	1,314,624
Depreciation	(963,419)	-	(963,419)
Net assets released from restrictions for capital improvements	542,053	(542,053)	-
Total nonoperating items	(421,366)	1,101,691	680,325
Change in net assets	(5,773)	443,386	437,613
Net assets - beginning of period	22,581,698	11,125,822	33,707,520
Net assets - end of period	\$22,575,925	\$11,569,208	\$34,145,133

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF ACTIVITIES
For The Years Ended September 30, 2021 and 2020

Statement 2
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	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
Communications	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
Capital contributions - designated by board	-	-	-
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.

	2021						
	Programs, Education, and Cultural Activities	Museum, Tours, and Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$422,472	\$686,094	\$196,002	\$541,917	\$193,598	\$284,776	\$2,324,859
Cost of goods sold	-	-	286,389	-	-	-	286,389
Instructors and performers	52,405	5,338	-	-	-	-	57,743
Outside service	5,348	18,835	6,066	186,295	20,401	280	237,225
IT support	22,241	33,329	22,920	25,289	8,221	27,733	139,733
Utilities and insurance	21,109	72,605	37,380	57,564	1,076	941	190,675
Telephone and data	3,538	5,952	1,957	4,861	1,577	2,066	19,951
Repairs and maintenance	17,560	56,283	29,640	9,284	896	782	114,445
Equipment and space rent	1,893	19,823	5,474	2,081	677	887	30,835
Supplies	24,876	32,277	14,592	15,335	4,769	8,189	100,038
Exhibit expense	60	47,138	-	-	-	-	47,198
Other services & miscellaneous	1,985	3,731	622	2,496	342	5,452	14,628
Scholarship and grants	200	-	-	16,780	-	-	16,980
Food and catering	11,593	2,784	-	3,098	-	-	17,475
Postage and printing	1,846	22,994	1,456	3,518	80,469	26,483	136,766
Advertising and website	-	-	-	114	210,475	-	210,589
Travel and meals	65	1,484	191	3,711	-	-	5,451
License, fees, dues, and subscriptions	17,108	34,786	23,607	4,837	1,964	15,109	97,411
Total operating expense	604,299	1,043,453	626,296	877,180	524,465	372,698	4,048,391
Depreciation	209,985	358,778	316,806	68,644	4,897	4,309	963,419
Total expenses	814,284	1,402,231	943,102	945,824	529,362	377,007	5,011,810
Collection items purchased	-	-	-	-	-	-	-
Total expenses and collection items purchased	\$814,284	\$1,402,231	\$943,102	\$945,824	\$529,362	\$377,007	\$5,011,810

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.

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2021 and 2020

Statement 4

	2021	2020
Cash flows from operating activities:		
Change in net assets before changes related to items not capitalized	\$437,613	\$3,348,919
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Increase in fair value of investments	(827,762)	(269,308)
Depreciation	963,419	957,915
Contributions restricted for capital asset additions	(1,314,624)	(2,288,885)
Contributed investments	(1,574,180)	(595,012)
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	836,977	(2,055,326)
(Increase) decrease in accounts receivable	(10,050)	(17,464)
(Increase) decrease in inventory and prepaids	(88,060)	7,424
Increase (decrease) in accounts payable, contracts payable, accrued expenses and deferred revenue	(17,070)	(290,138)
Increase (decrease) in refundable advance - PPP loan	(434,550)	434,550
Net cash used in operating activities	<u>(2,028,287)</u>	<u>(767,325)</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(262,139)	(748,494)
Purchase of investments, including reinvested income	(105,823)	(104,234)
Proceeds from sale of investments	2,331,556	292,031
Collection items purchased	-	(665)
Net cash provided by (used in) investing activities	<u>1,963,594</u>	<u>(561,362)</u>
Cash flows from financing activities:		
Contributions restricted for capital asset additions	<u>1,314,624</u>	<u>2,288,885</u>
Net increase in cash, cash equivalents, and restricted cash	1,249,931	960,198
Cash, cash equivalents and restricted cash - beginning of year	<u>2,299,516</u>	<u>1,339,318</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$3,549,447</u></u>	<u><u>\$2,299,516</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, 2021 and 2020

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, 2021 and 2020

B. COVID-19 IMPACTS

The impact of COVID-19 continued into fiscal year 2021 with a mandated closure on November 21, 2020, for the museum and FIKA, although the retail store was allowed to remain open. ASI reopened FIKA and the museum on February 6, 2021, with limited days and hours. These closures and limited hours had major impact on revenue, especially in the areas of admission, rentals, catering and in-person programs. Virtual programming continued, and as the State allowed, ASI was able to increase capacity. The capacity limits were lifted on May 28, 2021, and mask mandates were lifted on July 1, 2021. However, ASI continued to require masks for all indoor activities (visitors and staff), continued to practice physical distancing and continued above normal cleaning and sanitation practices. Over the summer, museum attendance, FIKA guests, rentals and limited in-person programs increased.

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:

	2021	2020
Cash and cash equivalents	\$3,447,113	\$2,197,934
Deferred compensation asset	102,334	101,582
Total	<u>\$3,549,447</u>	<u>\$2,299,516</u>

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2021 and 2020

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.

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,	
	2021	2020
Due in one year	\$1,649,547	\$1,719,024
Due in two to five years	<u>617,500</u>	<u>1,385,000</u>
Total	<u>\$2,267,047</u>	<u>\$3,104,024</u>

No discount was applied to receivables in 2021 or 2020 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, 2021 and 2020.

As of September 30, 2021, 85% of contributions and grants receivables were from three donors. As of September 30, 2020, 94% of contributions and grants receivables were from two 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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2021 and 2020

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.

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:

	Years
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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2021 and 2020

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. Consequently, as of September 30, 2021, contributions of \$5,105,000 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not been met. Revenue of \$5,000,000 will be recognized upon ASI raising \$5,000,000 in eligible capital campaign matching contributions and \$105,000 of revenue will be recognized upon ASI completing specified project milestones. There were no conditional promises to give that were likely to be collected at September 30, 2020.

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 \$41,736 and \$7,100 of donated goods for 2021 and 2020, 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.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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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.

ASI's expenses are classified as follows:

	2021			
	Operating	Nonoperating	Collection items Purchased	Total
Program services	\$2,274,048	\$885,569	\$ -	\$3,159,617
Admin & communications	1,401,645	73,541	-	1,475,186
Memberships & development	372,698	4,309	-	377,007
Total expense	<u>\$4,048,391</u>	<u>\$963,419</u>	<u>\$ -</u>	<u>\$5,011,810</u>

	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>

N. ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising expense was \$58,114 and \$40,056 for 2021 and 2020, respectively.

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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.

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$3,447,113	\$2,197,934
Accounts receivable	72,962	62,912
Grants and contributions receivable	1,649,547	1,719,024
Investments	7,649,287	7,473,078
Less:		
Amounts designated by the board	(994,200)	(880,550)
Amounts subject to donor restrictions:		
Time or purpose restrictions **	(7,101,261)	(5,942,875)
Perpetual in nature	<u>(3,797,947)</u>	<u>(3,797,947)</u>
Total	<u>\$925,501</u>	<u>\$831,576</u>

** Excludes \$670,000 and \$1,385,000 of purpose restrictions related to noncurrent assets at December 31, 2021 and 2020, 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 \$994,200 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 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.

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B. CHARITABLE ENDOWMENT FUND

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

Note 4 INVESTMENTS

ASI's investments consist of the following:

	September 30,	
	2021	2020
Investments at fair value:		
Money market funds	\$225,946	\$974,776
Fixed income	2,618,872	3,085,784
Equities	4,410,045	2,911,960
Complementary strategies	-	126,622
Real assets	390,003	369,099
Total at fair value	7,644,866	7,468,241
Investments at cost:		
Accrued interest	4,421	4,837
Total investments	\$7,649,287	\$7,473,078

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:

	2021	2020
Interest and dividends	\$160,410	\$164,530
Change in fair value	827,398	269,308
Investment fees	(70,686)	(60,295)
Net investment income	\$917,122	\$373,543

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Recap as presented on the statements of activities:

	2021	2020
Operating revenue	\$588,002	\$348,390
Nonoperating revenue	329,120	25,153
Net investment income	<u>\$917,122</u>	<u>\$373,543</u>

Note 5 FAIR VALUE MEASUREMENTS

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

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

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

	September 30, 2021		
	Level 1	Level 2	Total
Investments:			
Mutual funds and exchange traded funds	\$2,427,140	\$ -	\$2,427,140
Corporate stock	2,598,855	-	2,598,855
Government bonds	260,481	1,000,956	1,261,437
Corporate bonds	-	1,357,434	1,357,434
Total	<u>\$5,286,476</u>	<u>\$2,358,390</u>	<u>\$7,644,866</u>
	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>

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Level 1 investments include those traded on active markets with quoted prices. These include corporate stock, money market funds, mutual funds, exchange traded funds (ETFs) and U.S. treasury bills. Level 2 investments include those valued using dates which may include market data and/or quoted market prices from markets that are not active or are for the same or similar assets in active markets. These include governmental bonds not included in Level 1 and corporate bonds.

Note 6 LAND, BUILDING AND EQUIPMENT

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

	September 30,	
	2021	2020
Land	\$6,155,000	\$6,155,000
Building	24,071,849	23,958,712
Furniture and equipment	1,654,213	1,551,181
Construction in progress	1,335,267	1,289,297
	33,216,329	32,954,190
Less accumulated depreciation	(12,282,168)	(11,318,749)
Total	<u>\$20,934,161</u>	<u>\$21,635,441</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,	
	2021	2020
Current:		
Rent	\$36,300	\$40,800
Program revenue	83,218	47,383
Gift certificates	8,203	8,239
Total current	127,721	96,422
Noncurrent - rent	125,900	162,204
Total	<u>\$253,621</u>	<u>\$258,626</u>

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

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Note 8 PAYCHECK PROTECTION PROGRAM LOANS AND LOAN FORGIVENESS

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 SBA granted full forgiveness on February 21, 2021. ASI recognized contribution revenue under FASB ASC 958-605 upon notice of loan forgiveness.

On January 22, 2021, ASI entered into a second draw PPP loan with Cambridge State Bank for \$434,550, subject to the terms noted above. ASI received notification from the SBA of the loan's full forgiveness on August 16, 2021. ASI recognized contribution revenue under FASB ASC 958-605 upon notice of loan forgiveness.

Expenditures under this program are subject to review and audit by the SBA for six years from the date of loan forgiveness. Management believes that any liability for disallowances, which may arise as a result of an audit, would not be material.

Note 9 LINE OF CREDIT

On August 1, 2021, ASI entered into a \$500,000 line of credit agreement with Cambridge State Bank, which expires on August 1, 2022. The interest rate is the higher of 4.0% or 0.4% above the U.S. prime rate. The effective interest rate on September 30, 2021 was 4.0%. The line of credit is secured by ASI's business assets. The credit line was not used during the year and there were no outstanding balances as of September 30, 2021.

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 the year ended September 30, 2021 and 2020 was \$0 and \$10,000, respectively.

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Note 11 NET ASSETS

Net assets with donor restrictions were comprised of the following:

	September 30,	
	2021	2020
Subject to expenditure for specific purpose:		
Anne Ray Foundation	\$2,382,642	\$3,009,054
Pommer Trust ¹ (building, maintenance, acquisition, and improvements)	743,825	674,966
Capital campaign expansion project	2,923,120	2,148,885
Other	135,238	166,883
	<u>6,184,825</u>	<u>5,999,788</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
David LaVine Family Fund (building, maintenance and improvements)	411,933	333,267
David LaVine Cultural Fund (cultural programs)	66,473	58,591
Ruth LaVine Memorial Fund (Swedish events and cultural programs)	15,400	13,645
Heritage Fund	603,419	486,485
Malmberg Scholarship and Study Fund (Swedish education programs)	266,104	256,901
Carlson Gardens (maintenance of verandah gardens)	27,003	21,877
Boyer Palmer Endowment Fund (general operations)	196,104	157,321
	<u>1,586,436</u>	<u>1,328,087</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 programs)	50,000	50,000
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>\$11,569,208</u>	 <u>\$11,125,822</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.

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

	September 30,	
	2021	2020
Estate gifts	<u>\$994,200</u>	<u>\$880,550</u>

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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:

	2021		
	Purpose or Time Restricted	Permanent in Nature	Total
Endowment net assets beginning of period	\$1,328,087	\$3,797,947	\$5,126,034
Investment return	596,078	-	596,078
Appropriation of endowment assets for expenditure	(337,729)	-	(337,729)
Endowment net assets end of period	<u>\$1,586,436</u>	<u>\$3,797,947</u>	<u>\$5,384,383</u>
	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 expenditure	(255,214)	-	(255,214)
Endowment net assets end of period	<u>\$1,328,087</u>	<u>\$3,797,947</u>	<u>\$5,126,034</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 2021 or 2020.

Note 13 OPERATING LEASES

ASI has noncancelable operating leases for office equipment. Rent expenses for 2021 and 2020 were \$8,471 and \$10,020, respectively.

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

<u>Years Ending</u> <u>September 30,</u>	
2022	\$8,370
2023	8,370
2024	5,115
2025	1,859
2026	<u>775</u>
Total	<u><u>\$24,489</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 \$162,200 and \$203,004 at September 30, 2021 and 2020, respectively.

Note 15 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 16 NEW ACCOUNTING PRONOUNCEMENTS

In March 2016, the FASB issued ASU 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for ASI for the year ended September 30, 2023. ASI is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* under topic 958. The objective of ASU 2020-07 is to increase transparency and comparability among organizations by allowing the reader of the consolidated financial statements to more clearly identify the nature and amount of contributed nonfinancial assets, to clearly identify the amount of contributed nonfinancial assets utilized in a nonprofit's programs, and to provide more relevant information regarding the subjective evaluations used in estimating the fair value of contributed nonfinancial assets. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021 and shall be applied using a full retrospective approach. Early adoption is permitted. The new guidance is effective for ASI for the year ended September 30, 2022. While ASI does not believe ASU 2020-07 will have a significant impact on the results of operations, financial statement presentation and disclosures will be enhanced to comply with the new standard.

Note 17 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2022, the date which the financial statements were available to be issued.