

THE AMERICAN SWEDISH INSTITUTE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2022 and 2021

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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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The American Swedish Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The American Swedish Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Swedish Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The American Swedish Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Redpath and Company Ltd." in a cursive, flowing script.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

February 9, 2023

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FINANCIAL STATEMENTS

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THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

Statement 1

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$2,189,082	\$3,447,113
Accounts receivable	94,583	72,962
Employee retention credit receivable	746,849	-
Grants and contributions receivable, net	1,614,127	1,649,547
Inventory	208,365	234,141
Prepaid expenses	122,760	75,323
Total current assets	<u>4,975,766</u>	<u>5,479,086</u>
Noncurrent assets:		
Deferred compensation asset	102,592	102,334
Grants and contributions receivable, net	1,396,750	617,500
Investments	6,072,141	7,649,287
Land, building, and equipment, net	28,487,000	20,934,161
Interest in charitable trust held by others	12,639,831	-
Collections for exhibitions (Note 1H)	-	-
Total noncurrent assets	<u>48,698,314</u>	<u>29,303,282</u>
Total assets	<u><u>\$53,674,080</u></u>	<u><u>\$34,782,368</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$443,116	\$81,396
Contracts payable	1,648,462	24,622
Accrued expenses	187,736	175,262
Deferred revenue	152,642	127,721
Lines of credit	1,291,129	-
Total current liabilities	<u>3,723,085</u>	<u>409,001</u>
Noncurrent liabilities:		
Deferred compensation liability	102,592	102,334
Deferred revenue	100,400	125,900
Total noncurrent liabilities	<u>202,992</u>	<u>228,234</u>
Total liabilities	<u>3,926,077</u>	<u>637,235</u>
Net assets:		
Without donor restrictions:		
Undesignated	28,437,913	21,581,725
Designated by the board	876,160	994,200
	<u>29,314,073</u>	<u>22,575,925</u>
With donor restrictions:		
Time or purpose restrictions	16,635,983	7,771,261
Perpetual in nature	3,797,947	3,797,947
	<u>20,433,930</u>	<u>11,569,208</u>
Total net assets	<u>49,748,003</u>	<u>34,145,133</u>
Total liabilities and net assets	<u><u>\$53,674,080</u></u>	<u><u>\$34,782,368</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, 2022 and 2021

Statement 2
Page 1 of 2

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Membership contributions	\$317,629	\$ -	\$317,629
Grants and contributions	6,567,483	185,690	6,753,173
Government revenue - employee retention credit	746,849		746,849
In-kind contributions	46,870	-	46,870
Admissions and tours	190,081	-	190,081
Programs, classes, and events	422,719	-	422,719
Cultural enterprises	1,218,245	-	1,218,245
Investment income (loss) - operating	(121,416)	(300,737)	(422,153)
Other	79,477	-	79,477
Total operating revenues	9,467,937	(115,047)	9,352,890
Net assets released from restriction for operations	481,143	(481,143)	-
Operating expenses:			
Programs, education, and other cultural activities	928,802	-	928,802
Museum, tours, and visitor services	1,265,987	-	1,265,987
Cultural enterprises	912,123	-	912,123
Administration	1,329,858	-	1,329,858
Communication	372,378	-	372,378
Membership and development	433,055	-	433,055
Total operating expenses	5,242,203	0	5,242,203
Change in net assets from operating activities	4,706,877	(596,190)	4,110,687
Nonoperating items:			
Investment income (loss) - nonoperating	-	(519,376)	(519,376)
Change in value of charitable trust held by others	-	(909,484)	(909,484)
Contributions for capitalized assets	-	285,000	285,000
Contributions of charitable trust held by others	-	13,549,315	13,549,315
Depreciation	(913,272)	-	(913,272)
Net assets released from restrictions for capital improvements	2,944,543	(2,944,543)	-
Total nonoperating items	2,031,271	9,460,912	11,492,183
Change in net assets	6,738,148	8,864,722	15,602,870
Net assets - beginning of period	22,575,925	11,569,208	34,145,133
Net assets - end of period	\$29,314,073	\$20,433,930	\$49,748,003

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

THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF ACTIVITIES
For The Years Ended September 30, 2022 and 2021

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	820,282	-	820,282
In-kind contributions	41,736	-	41,736
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
Communications	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.

	2022						
	Programs, Education, and Cultural Activities	Museum, Tours, and Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$547,802	\$803,204	\$289,925	\$656,470	\$131,516	\$328,322	\$2,757,239
Cost of goods sold	-	-	441,699	-	-	-	441,699
Instructors and performers	121,882	24,708	-	608	-	-	147,198
Outside service	12,939	20,855	12,419	223,106	51,264	9,080	329,663
IT support	27,831	36,932	24,774	26,962	10,422	27,100	154,021
Utilities and insurance	26,401	88,135	44,564	72,331	1,345	1,177	233,953
Telephone and data	4,202	7,834	2,952	5,202	1,617	2,106	23,913
Repairs and maintenance	21,804	67,027	37,908	11,530	1,111	972	140,352
Equipment and space rent	19,052	10,370	(18,021)	3,805	1,164	1,511	17,881
Supplies	33,741	31,963	27,647	9,345	7,041	6,071	115,808
Exhibit expense	20	121,615	-	-	52	-	121,687
Other services & miscellaneous	14,731	536	1,047	217,760	275	1,626	235,975
Scholarship and grants	239	-	-	32,000	-	-	32,239
Food and catering	46,524	3,686	-	15,645	-	2,398	68,253
Postage and printing	2,008	18,469	399	30,925	63,414	43,107	158,322
Advertising and website	-	6,870	50	1,610	98,353	375	107,258
Travel and meals	1,841	2,984	4,498	18,169	688	44	28,224
License, fees, dues, and subscriptions	47,785	20,799	42,262	4,390	4,116	9,166	128,518
Total operating expense	928,802	1,265,987	912,123	1,329,858	372,378	433,055	5,242,203
Depreciation	199,055	340,104	300,316	65,071	4,642	4,084	913,272
Total expenses	<u>\$1,127,857</u>	<u>\$1,606,091</u>	<u>\$1,212,439</u>	<u>\$1,394,929</u>	<u>\$377,020</u>	<u>\$437,139</u>	<u>\$6,155,475</u>

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

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, 2022 and 2021

Statement 4

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$15,602,870	\$437,613
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	913,272	963,419
(Increase) decrease in fair value of investments	1,058,248	(827,762)
Contributed investments	(5,323)	(1,574,180)
Contributions restricted for capital asset additions	(285,000)	(1,314,624)
Contributed interest in trust held by others	(14,000,000)	-
(Increase) decrease in value of trust held by others	909,484	-
Distributions from trust held by others	450,685	-
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	(743,830)	836,977
(Increase) decrease in accounts receivable	(21,621)	(10,050)
(Increase) decrease in employee retention credit receivable	(746,849)	-
(Increase) decrease in inventory and prepaids	(21,661)	(88,060)
Increase (decrease) in accounts payable, contracts payable, accrued expenses and deferred revenue	373,873	(17,070)
Increase (decrease) in refundable advance - PPP loan	-	(434,550)
Net cash provided by (used in) operating activities	<u>3,484,148</u>	<u>(2,028,287)</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(6,842,271)	(262,139)
Purchase of investments, including reinvested income	(119,892)	(105,823)
Proceeds from sale of investments	644,113	2,331,556
Net cash provided by (used in) investing activities	<u>(6,318,050)</u>	<u>1,963,594</u>
Cash flows from financing activities:		
Contributions restricted for capital asset additions	285,000	1,314,624
Distributions from lines of credit	1,291,129	-
Net cash provided by financing activities	<u>1,576,129</u>	<u>1,314,624</u>
Net increase in cash, cash equivalents, and restricted cash	(1,257,773)	1,249,931
Cash, cash equivalents and restricted cash - beginning of year	<u>3,549,447</u>	<u>2,299,516</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$2,291,674</u></u>	<u><u>\$3,549,447</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, 2022 and 2021

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 explore diverse experiences of migration, identity, belonging and the environment through arts and culture, informed by enduring links to Sweden.

Our vision is that ASI will be a leading museum and cultural center that invites all people 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, 2022 and 2021

B. COVID-19 IMPACTS

The impact of COVID-19 continued into ASI's Fiscal Year 2022 but there were definite signs of recovery especially in the areas of café dining, event rental/catering, and retail. Retail's comeback was significantly aided by the build-out of ASI's e-commerce site. Admissions and in-person programs were slower to build back to pre-pandemic levels but increased steadily over the year. ASI added an additional day to the open schedule and continued evening hours one night a week. Hours are Wednesday, Friday, Saturday, Sunday 10 am to 4 pm, and Thursdays, 10 am to 8 pm. Virtual programs continue to be popular for some areas such as language and food classes, but the trend seen throughout the fiscal year was a return to in-person experiences. The most lingering impact of the pandemic was in hiring and filling open positions. Additionally, COVID-19 illness impacted staff availability in waves mimicking the patterns of COVID-19 cases in the community.

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:

	September 30,	
	2022	2021
Cash and cash equivalents	\$2,189,082	\$3,447,113
Deferred compensation asset	102,592	102,334
Total	<u>\$2,291,674</u>	<u>\$3,549,447</u>

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2022 and 2021

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,	
	2022	2021
Due in one year	\$1,614,127	\$1,649,547
Due in two to five years	<u>1,396,750</u>	<u>617,500</u>
Total	<u><u>\$3,010,877</u></u>	<u><u>\$2,267,047</u></u>

No discount was applied to receivables in 2022 or 2021 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, 2022 and 2021.

As of September 30, 2022, 76% of contributions and grants receivables were from three donors. As of September 30, 2021, 85% of contributions and grants receivables were from three 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, 2022 and 2021

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. BENEFICIAL INTERESTS IN CHARITABLE TRUST HELD BY OTHERS

ASI has been named as an irrevocable beneficiary of a charitable trust. This trust was created independently by a donor and is held and administered by an outside agent designated by the donor. Therefore, ASI has neither possession nor control over the assets of the trust. At the date ASI received notice of the beneficial interest, a contribution with donor restrictions was recorded in the statements of activities, and a beneficial interest in the charitable trust held by others was recorded in the statements of financial position at fair value. Thereafter, a beneficial interest in the trust is reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions, net assets with donor-imposed time restrictions are released to net assets without donor restrictions.

K. 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.

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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 as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

L. 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, 2022.

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

ASI reports gifts of non-cash assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. No in-kind contributions were reported as contributions with donor restrictions in 2022.

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 and services are recorded as contributions in the accompanying statements at their estimated fair market value at the date of donation, based on the estimated US wholesale prices of identical or similar products or services using pricing data under a 'like-kind' methodology considering the goods or services condition and utility for use at the time of the contribution.

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The following represents ASI's in-kind contributions recognized within the statement of activities as of June 30:

	September 30,	
	2022	2021
Advertising	\$40,000	\$40,000
Other	6,870	1,736
Total	<u>\$46,870</u>	<u>\$41,736</u>

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.

M. 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.

N. 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:

	2022			
	Operating	Nonoperating	Collection items Purchased	Total
Program services	\$3,106,912	\$839,475	\$ -	\$3,946,387
Admin & communications	1,702,236	69,713	-	1,771,949
Memberships & development	433,055	4,084	-	437,139
Total expense	<u>\$5,242,203</u>	<u>\$913,272</u>	<u>\$ -</u>	<u>\$6,155,475</u>

	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>

O. ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising expense was \$55,823 and \$58,114 for 2022 and 2021, respectively.

P. 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.

Q. RECLASSIFICATIONS

Certain amounts have been reclassified in the 2021 financial statements to confirm to the presentation of the 2022 financial statements.

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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 at September 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$2,189,082	\$3,447,113
Accounts receivable	94,583	72,962
Employee retention credit receivable	746,849	-
Grants and contributions receivable	3,010,877	2,267,047
Investments	6,072,141	7,649,287
Less:		
Amounts designated by the board	(876,160)	(994,200)
Amounts subject to donor restrictions:		
Time or purpose restrictions **	(3,996,152)	(7,771,261)
Perpetual in nature	<u>(3,797,947)</u>	<u>(3,797,947)</u>
Total	<u>\$3,443,273</u>	<u>\$873,001</u>

** Excludes \$12,639,831 and \$0 of restrictions related to nonfinancial assets at December 31, 2022 and 2021, 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 \$876,160 and two committed line of credits in the amount of \$4,000,000 each, which could be drawn upon in the event of an unanticipated liquidity need.

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Note 3 SPLIT-INTEREST AGREEMENTS

A. CHARITABLE ENDOWMENT FUNDS

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.

B. BENEFICIAL INTEREST IN CHARITABLE TRUST HELD BY OTHERS

ASI is one of five beneficiaries of a charitable trust held by others. Under the terms of the split-interest agreement, principal and income of the trust will be distributed upon the trustee's discretion. ASI received a distribution of \$450,685 and recognized a decrease in the change in fair value of \$909,484 during the year ended September 30, 2022. ASI's interest of the amounts held in the trust was \$12,639,831 as of September 30, 2022.

Note 4 INVESTMENTS

ASI's investments consist of the following:

	September 30,	
	2022	2021
Investments at fair value:		
Money market funds	\$50,727	\$225,946
Fixed income	2,630,012	2,618,872
Equities	3,363,424	4,410,045
Real assets	23,557	390,003
Total at fair value	6,067,720	7,644,866
Investments at cost:		
Accrued interest	4,421	4,421
Total investments	<u>\$6,072,141</u>	<u>\$7,649,287</u>

Investments at fair value consist of individual securities, mutual funds and exchange-traded funds (ETFs). Investment income or loss (including gains and losses on investments, interest and dividends) is included as earned in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law. Management believes there are no significant concentrations of credit risk.

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Net investment income (loss) is comprised of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$160,937	\$160,410
Change in fair value	(1,058,045)	827,398
Investment fees	<u>(44,421)</u>	<u>(70,686)</u>
Net investment income (loss)	<u><u>(\$941,529)</u></u>	<u><u>\$917,122</u></u>

Recap as presented on the statements of activities:

	<u>2022</u>	<u>2021</u>
Operating revenue	(\$422,153)	\$588,002
Nonoperating revenue	<u>(519,376)</u>	<u>329,120</u>
Net investment income (loss)	<u><u>(\$941,529)</u></u>	<u><u>\$917,122</u></u>

Note 5 FAIR VALUE MEASUREMENTS

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

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

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

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds and exchange traded funds	\$5,316,358	\$ -	\$ -	\$5,316,358
Corporate stock	276,523	-	-	276,523
Government bonds	223,834	46,953	-	270,787
Corporate bonds	-	204,052	-	204,052
Interest in charitable trust held by others	-	-	12,639,831	12,639,831
Total	\$5,816,715	\$251,005	\$12,639,831	\$18,707,551

	September 30, 2021			
	Level 1	Level 2	Level 3	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	\$5,286,476	\$2,358,390	\$ -	\$7,644,866

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. Level 3 investments include those whose values are based on prices or valuations techniques that require inputs that are both unobservable and significant to the overall fair value measurement. This includes ASI's interest in charitable trust held by others.

Changes in fair value of ASI's Level 3 assets are as follows:

	Interest in charitable trust held by others
Balance - October 1, 2021	\$ -
Purchases / contributions	14,000,000
Distributions	(450,685)
Change in value	(909,484)
Balance - September 30, 2022	\$12,639,831

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Note 6 LAND, BUILDING AND EQUIPMENT

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

	September 30,	
	2022	2021
Land	\$6,155,000	\$6,155,000
Building	24,209,447	24,071,849
Furniture and equipment	1,797,313	1,654,213
Construction in progress	9,520,680	1,335,267
	41,682,440	33,216,329
Less accumulated depreciation	(13,195,440)	(12,282,168)
Total	<u>\$28,487,000</u>	<u>\$20,934,161</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,	
	2022	2021
Current:		
Rent	\$25,500	\$36,300
Program revenue	118,300	83,218
Gift certificates	8,842	8,203
Total current	152,642	127,721
Noncurrent - rent	100,400	125,900
Total	<u>\$253,042</u>	<u>\$253,621</u>

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

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.

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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 EMPLOYEE RETENTION CREDIT

On March 27, 2020, the CARES Act was signed into law providing numerous tax provisions and other stimulus measures, including an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERC. An entity is eligible for the employee retention credit (ERC) if it either (1) fully or partially suspended operations during any calendar quarter due to orders from an appropriate government authority limiting business activities due to COVID-19; or (2) experienced a significant decline in gross receipts during the calendar quarter.

ASI accounted for the Employee Retention Credit as a conditional contribution under FASB ASC 958-605. During the year ended September 30, 2022, the Organization recognized COVID-19 government revenue of \$746,849 related to third and fourth calendar year quarters in 2020, and first, second, and third calendar year quarters in 2021. A current receivable in the amount of \$746,849 is included in the statement of financial position as of September 30, 2022.

Note 10 LINES OF CREDIT

On March 31, 2022, ASI entered into two separate line of credit agreements for \$4,000,000 each with Cambridge State Bank. The lines of credit have an interest rate of 4.25% and expire on April 1, 2024. The lines of credit are secured by ASI's business assets. The outstanding balance on the lines of credit was \$1,291,129 as of September 30, 2022.

Note 11 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 was \$0 for each of the years ended September 30, 2022 and 2021.

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Note 12 NET ASSETS

Net assets with donor restrictions were comprised of the following:

	September 30,	
	2022	2021
Subject to expenditure for specific purpose:		
Anne Ray Foundation	\$2,254,847	\$2,382,642
Pommer Trust ¹ (building, maintenance, acquisition, and improvements)	573,758	743,825
Capital campaign expansion project	295,500	2,923,120
Other	233,643	135,238
	<u>3,357,748</u>	<u>6,184,825</u>
Subject to passage of time:		
Karin Larson Trust (general operations)	12,639,831	-
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
David LaVine Family Fund (building, maintenance and improvements)	159,848	411,933
David LaVine Cultural Fund (cultural programs)	41,215	66,473
Ruth LaVine Memorial Fund (Swedish events and cultural programs)	3,367	15,400
Heritage Fund	228,704	603,419
Malmberg Scholarship and Study Fund (Swedish education programs)	122,870	266,104
Carlson Gardens (maintenance of verandah gardens)	10,577	27,003
Boyer Palmer Endowment Fund (general operations)	71,823	196,104
	<u>638,404</u>	<u>1,586,436</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>\$20,433,930</u>	<u>\$11,569,208</u>

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

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

	September 30,	
	2021	2020
Estate gifts	\$876,160	\$994,200

Note 13 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:

- General economic conditions
- The possible effect of inflation or deflation
- The expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio of the fund
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The needs of the institution and the fund to make distributions and to preserve capital
- The asset's special relationship or special value, if any, to the charitable purposes of the institution

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:

	2022		
	Purpose or Time Restricted	Permanent in Nature	Total
Endowment net assets beginning of period	\$1,586,436	\$3,797,947	\$5,384,383
Investment return	(682,815)	-	(682,815)
Appropriation of endowment assets for expenditure	(265,217)	-	(265,217)
Endowment net assets end of period	<u>\$638,404</u>	<u>\$3,797,947</u>	<u>\$4,436,351</u>
	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>

D. INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS

ASI has adopted an investment policy for endowment assets of which the objectives are (1) to maintain the real purchasing power of the endowment over time and (2) to provide a reasonable level of consistency in support of the operating budget and capital needs of ASI.

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 60% in equity and 40% in fixed income. 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

ASI uses a total return concept in determining allowable spending from its long-term invested assets. ASI's spending rate and spending formula are set by the Board, which is an annual maximum of 4% of the average market value of invested funds of the trailing 5-year period. This draw is discretionary and may be skipped or changed at the discretion of the Board, with recommendation from the Finance Committee. The Board approved a spending amount of 4% of the average fair value of total investments of the prior five years in 2022. No formal spending amount was approved by the Board in 2021.

Note 14 OPERATING LEASES

ASI has noncancelable operating leases for office equipment. Rent expenses for 2022 and 2021 were \$8,064 and \$8,471, respectively.

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

Years Ending September 30,	
2023	\$8,370
2024	5,115
2025	1,859
2026	<u>775</u>
Total	<u>\$16,119</u>

Note 15 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 \$125,900 and \$162,200 at September 30, 2022 and 2021, respectively.

Note 16 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 17 CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2022, ASI adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard required increased disclosure and a reclassification of prior year information to confirm to the new required method of presentation.

Note 18 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.

Note 19 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2023, the date which the financial statements were available to be issued.