

THE AMERICAN SWEDISH INSTITUTE

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

Years Ended September 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

January 10, 2019

FINANCIAL STATEMENTS

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THE AMERICAN SWEDISH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

Statement 1

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets:		
Cash	\$1,097,711	\$612,259
Accounts receivable	33,838	26,432
Grants and contributions receivable, net	1,069,800	131,112
Inventory	205,437	183,618
Prepaid expenses	37,722	14,974
Total current assets	<u>2,444,508</u>	<u>968,395</u>
Noncurrent assets:		
Deferred compensation asset	72,324	53,813
Grants and contributions receivable, net	685,000	-
Investments	6,332,028	6,588,897
Land, building, and equipment, net	22,144,626	23,070,215
Collections for exhibitions (Note 1E)	-	-
Total noncurrent assets	<u>29,233,978</u>	<u>29,712,925</u>
Total assets	<u><u>\$31,678,486</u></u>	<u><u>\$30,681,320</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$185,250	\$107,472
Accrued expenses	105,280	81,039
Deferred revenue	90,317	53,056
Total current liabilities	<u>380,847</u>	<u>241,567</u>
Noncurrent liabilities:		
Deferred compensation liability	72,324	53,813
Deferred revenue	242,604	281,000
Total noncurrent liabilities	<u>314,928</u>	<u>334,813</u>
Total liabilities	<u>695,775</u>	<u>576,380</u>
Net assets:		
Unrestricted:		
Designated	542,013	542,013
Undesignated	23,171,218	24,012,866
Temporarily restricted	3,471,533	1,752,114
Permanently restricted	3,797,947	3,797,947
Total net assets	<u>30,982,711</u>	<u>30,104,940</u>
Total liabilities and net assets	<u><u>\$31,678,486</u></u>	<u><u>\$30,681,320</u></u>

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

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$316,175	\$ -	\$ -	\$316,175
Grants and contributions	1,618,405	1,687,376	-	3,305,781
Admissions and tours	340,955	-	-	340,955
Programs, classes, and events	374,133	-	-	374,133
Cultural enterprises, net of costs of goods sold of \$498,379	901,515	-	-	901,515
Investment income - operating	19,898	170,000	-	189,898
Other	149,809	-	-	149,809
Total operating revenues	<u>3,720,890</u>	<u>1,857,376</u>	<u>0</u>	<u>5,578,266</u>
Net assets released from restriction for operations	<u>257,290</u>	<u>(257,290)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Programs, education, and other cultural activities	751,619	-	-	751,619
Museum, tours, and visitor services	1,348,812	-	-	1,348,812
Cultural enterprises	362,806	-	-	362,806
Administration	736,118	-	-	736,118
Communication	318,552	-	-	318,552
Membership and development	383,984	-	-	383,984
Total operating expenses	<u>3,901,891</u>	<u>0</u>	<u>0</u>	<u>3,901,891</u>
Change in net assets from operating activities	<u>76,289</u>	<u>1,600,086</u>	<u>-</u>	<u>1,676,375</u>
Nonoperating items:				
Investment income - nonoperating	-	98,040	-	98,040
Contributions for capitalized assets	-	51,250	-	51,250
Capital or reserve contributions - designated by board	520	-	-	520
Depreciation	(943,564)	-	-	(943,564)
Net assets released from restrictions:				
Capital improvements	29,957	(29,957)	-	-
Total nonoperating items	<u>(913,087)</u>	<u>119,333</u>	<u>0</u>	<u>(793,754)</u>
Change in net assets before changes related to items not capitalized	<u>(836,798)</u>	<u>1,719,419</u>	<u>-</u>	<u>882,621</u>
Collection items purchased	<u>(4,850)</u>	<u>-</u>	<u>-</u>	<u>(4,850)</u>
Change in net assets	<u>(841,648)</u>	<u>1,719,419</u>	<u>-</u>	<u>877,771</u>
Net assets - beginning of period	<u>24,554,879</u>	<u>1,752,114</u>	<u>3,797,947</u>	<u>30,104,940</u>
Net assets - end of period	<u>\$23,713,231</u>	<u>\$3,471,533</u>	<u>\$3,797,947</u>	<u>\$30,982,711</u>

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$284,830	\$ -	\$ -	\$284,830
Grants and contributions	1,602,675	190,400	-	1,793,075
Admissions and tours	324,451	-	-	324,451
Programs, classes, and events	309,614	-	-	309,614
Cultural enterprises, net of costs of goods sold of \$364,158	778,504	-	-	778,504
Investment income - operating	6,845	160,000	-	166,845
Other	82,137	-	-	82,137
Total operating revenues	<u>3,389,056</u>	<u>350,400</u>	<u>0</u>	<u>3,739,456</u>
Net assets released from restriction for operations	<u>283,906</u>	<u>(283,906)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Programs, education, and other cultural activities	620,859	-	-	620,859
Museum, tours, and visitor services	1,095,518	-	-	1,095,518
Cultural enterprises	331,483	-	-	331,483
Administration	672,573	-	-	672,573
Communications	249,393	-	-	249,393
Membership and development	256,478	-	-	256,478
Total operating expenses	<u>3,226,304</u>	<u>0</u>	<u>0</u>	<u>3,226,304</u>
Change in net assets from operating activities	<u>446,658</u>	<u>66,494</u>	<u>-</u>	<u>513,152</u>
Nonoperating items:				
Investment income - nonoperating	-	206,480	-	206,480
Contributions for capitalized assets	-	39,500	-	39,500
Capital contributions - designated by board	542,013	-	-	542,013
Depreciation	(962,050)	-	-	(962,050)
Net assets released from restrictions:				
Capital improvements	177,620	(177,620)	-	-
Total nonoperating items	<u>(242,417)</u>	<u>68,360</u>	<u>0</u>	<u>(174,057)</u>
Change in net assets before changes related to items not capitalized	<u>204,241</u>	<u>134,854</u>	<u>-</u>	<u>339,095</u>
Collection items purchased	<u>(18,225)</u>	<u>-</u>	<u>-</u>	<u>(18,225)</u>
Change in net assets	<u>186,016</u>	<u>134,854</u>	<u>-</u>	<u>320,870</u>
Net assets - beginning of period	<u>24,368,863</u>	<u>1,617,260</u>	<u>3,797,947</u>	<u>29,784,070</u>
Net assets - end of period	<u>\$24,554,879</u>	<u>\$1,752,114</u>	<u>\$3,797,947</u>	<u>\$30,104,940</u>

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

	2018						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$405,610	\$671,661	\$209,344	\$552,369	\$145,581	\$262,691	\$2,247,256
Instructors and performers	86,734	4,814	-	450	-	-	91,998
Outside service	-	232,321	-	78,334	-	400	311,055
IT support	17,392	21,443	12,051	18,973	5,390	21,574	96,823
Utilities and insurance	25,981	111,331	52,779	25,240	1,324	1,158	217,813
Telephone and data	2,258	3,010	1,174	3,049	813	1,500	11,804
Repairs and maintenance	17,997	47,900	36,036	8,051	776	919	111,679
Equipment and space rent	21,725	1,622	6,313	1,095	292	540	31,587
Supplies	43,651	22,210	12,938	4,412	1,688	2,881	87,780
Exhibit expense	14,126	165,591	-	-	-	-	179,717
Other services & miscellaneous	30,842	3,991	2,850	9,717	1,188	44,095	92,683
Scholarship and grants	10,150	100	-	-	-	-	10,250
Food and catering	58,064	21,364	-	6,766	249	4,389	90,832
Postage and printing	2,793	4,094	1,882	2,863	58,592	32,923	103,147
Advertising and website	-	-	(545)	2,500	99,336	-	101,291
Travel and meals	698	22,329	1,565	19,069	91	2,174	45,926
License, fees, dues, and subscriptions	13,598	15,031	26,419	3,230	3,232	8,740	70,250
Total operating expense	751,619	1,348,812	362,806	736,118	318,552	383,984	3,901,891
Depreciation	206,189	351,119	310,023	67,216	4,796	4,221	943,564
Total expenses	957,808	1,699,931	672,829	803,334	323,348	388,205	4,845,455
Collection items purchased	-	4,850	-	-	-	-	4,850
Total expenses and collection items purchased	<u>\$957,808</u>	<u>\$1,704,781</u>	<u>\$672,829</u>	<u>\$803,334</u>	<u>\$323,348</u>	<u>\$388,205</u>	<u>\$4,850,305</u>

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

	2017						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$377,745	\$553,217	\$194,317	\$523,131	\$130,532	\$187,422	\$1,966,364
Instructors and performers	72,497	21,592	-	180	-	-	94,269
Outside service	347	117,466	585	54,988	18	15	173,419
IT support	10,157	13,522	7,989	9,834	4,243	15,442	61,187
Utilities and insurance	24,731	103,582	48,787	24,071	1,260	1,103	203,534
Telephone and data	2,001	2,740	1,062	2,809	682	1,008	10,302
Repairs and maintenance	16,205	50,236	32,053	8,567	826	723	108,610
Equipment and space rent	22,056	2,411	2,334	1,203	809	464	29,277
Supplies	28,655	29,710	13,952	7,411	1,732	7,550	89,010
Exhibit expense	7,512	144,967	-	-	-	-	152,479
Other services & miscellaneous	17,534	1,717	4,563	196	1,076	50	25,136
Scholarship and grants	15,322	100	-	-	-	-	15,422
Food and catering	12,023	21,007	11	8,514	-	829	42,384
Postage and printing	2,534	4,673	2,930	2,251	53,578	28,840	94,806
Advertising and website	-	-	10	-	51,599	-	51,609
Travel and meals	336	15,352	1,557	27,047	-	7,411	51,703
License, fees, dues, and subscriptions	11,204	13,226	21,333	2,371	3,038	5,621	56,793
Total operating expense	620,859	1,095,518	331,483	672,573	249,393	256,478	3,226,304
Depreciation	209,486	358,523	316,265	68,572	4,896	4,308	962,050
Total expenses	830,345	1,454,041	647,748	741,145	254,289	260,786	4,188,354
Collection items purchased	-	18,225	-	-	-	-	18,225
Total expenses and collection items purchaed	\$830,345	\$1,472,266	\$647,748	\$741,145	\$254,289	\$260,786	\$4,206,579

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, 2018 and 2017

Statement 4

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets before changes related to items not capitalized	\$882,621	\$339,095
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Increase in fair value of investments	(180,923)	(280,199)
Depreciation	943,564	962,050
Contributions restricted for capital asset additions	(51,250)	(39,500)
Noncash contribution of capital asset	(2,141)	-
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	(1,623,688)	(19,575)
(Increase) decrease in accounts receivable	(7,406)	(5,407)
(Increase) decrease in inventory and prepaids	(44,567)	(41,791)
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	100,884	(67,472)
Net cash provided by operating activities	<u>17,094</u>	<u>847,201</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(15,834)	(233,866)
Purchase of investments, including reinvested income	(89,118)	(1,082,310)
Proceeds from sale of investments	526,910	160,000
Collection items purchased	(4,850)	(18,225)
Net cash provided (used) by investing activities	<u>417,108</u>	<u>(1,174,401)</u>
Cash flows from financing activities:		
Contributions restricted for capital asset additions	<u>51,250</u>	<u>39,500</u>
Net increase (decrease) in cash	485,452	(287,700)
Cash at beginning of period	<u>612,259</u>	<u>899,959</u>
Cash at end of period	<u><u>\$1,097,711</u></u>	<u><u>\$612,259</u></u>
Supplemental information:		
Noncash investing and financing activities:		
Noncash contribution of capital asset	<u><u>\$2,141</u></u>	<u><u>\$0</u></u>

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

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, 2018 and 2017

B. BASIS OF PRESENTATION

The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

To better manage the organization, ASI accounts for activity among several departments. Appropriate expenses are allocated to each of the departments and the departments are grouped for financial statement reporting purposes. Operating revenues and expenses are generally for activities that take place during the fiscal year. Nonoperating revenue and expense include donations restricted for the acquisition and major maintenance of capitalized assets, endowment investment earnings in excess of withdrawals under the total return concept and depreciation.

C. RECEIVABLES

Accounts receivable consist mainly of amounts due to ASI for management and rental use of the facilities. Management considers amounts at year end to be fully collectible and thus an allowance is not considered necessary.

D. INVENTORIES

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

E. COLLECTIONS FOR EXHIBITION

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

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

F. LAND, BUILDING, AND EQUIPMENT

ASI defines capital assets as assets with an estimated useful life in excess of one year and an initial cost of more than \$5,000. Capital expenditures for land, building and equipment acquisitions are recorded at cost. Contributed assets are recorded at fair value at the date of donation. Depreciation of building and equipment are provided over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

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

G. UNRESTRICTED, TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED REVENUE AND SUPPORT

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Gifts that are given to acquire or maintain long lived assets are reported as restricted revenue and released when the asset is placed in service or the capitalized maintenance is complete. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted.

H. MEMBERSHIP CONTRIBUTIONS

Membership contributions are recognized as revenues in the period received, as the benefits received by members for their membership are deemed to be immaterial.

I. DONATED GOODS AND SERVICES

A substantial number of volunteers have donated significant amounts of their time to ASI's programs and museum services during the year. These donated services have not been included in these financial statements because they do not meet the recognition criteria of GAAP.

Donated goods are recorded as contributions in the accompanying statements at fair value at the date of receipt. ASI received \$44,825 and \$19,955 of donated goods for 2018 and 2017, respectively.

J. INCOME TAX STATUS

ASI has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. Accordingly, ASI is only subject to federal and state income taxes on any unrelated business income (UBI). ASI has not had any material UBI activities.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes ASI has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2018 and 2017

K. FUNCTIONAL ALLOCATION OF EXPENSES

The allocation of expenses between functions are based on direct expenditures and allocations based on staff time records and square footage. Depreciation is allocated based on the primary use of spaces.

ASI's expenses are classified as follows:

	2018			
	Operating	Nonoperating	Collection items Purchased	Total
Program services	\$2,463,237	\$867,331	\$4,850	\$3,335,418
Admin & communications	1,054,670	72,012	-	1,126,682
Memberships & development	383,984	4,221	-	388,205
Total expense	<u>\$3,901,891</u>	<u>\$943,564</u>	<u>\$4,850</u>	<u>\$4,850,305</u>

	2017			
	Operating	Nonoperating	Collection items Purchased	Total
Program services	\$2,047,860	\$884,274	\$18,225	\$2,950,359
Admin & communications	921,966	73,468	-	995,434
Memberships & development	256,478	4,308	-	260,786
Total expense	<u>\$3,226,304</u>	<u>\$962,050</u>	<u>\$18,225</u>	<u>\$4,206,579</u>

L. ADVERTISING COSTS

Advertising costs are expensed as incurred. Total advertising expense was \$96,401 and \$46,776 for 2018 and 2017, respectively.

THE AMERICAN SWEDISH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended September 30, 2018 and 2017

M. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are unconditional promises to give which are recognized as revenues or gains in the period the promise is received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional promises to give that are likely to be collected at September 30, 2018 and 2017 were \$270,000 and \$0, respectively. Unconditional contributions and grants receivable consisted of the following:

	September 30,	
	2018	2017
Due in one year	\$1,069,800	\$131,112
Due in two to five years	685,000	-
Total	<u>\$1,754,800</u>	<u>\$131,112</u>

No discount was applied to receivables in 2018 or 2017 because management determined the amount to be immaterial. As of September 30, 2018 and 2017, 97% and 95% of contributions receivable was from two donors, respectively.

N. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. PRIOR YEAR RECLASSIFICATION

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

Note 2 CONCENTRATIONS OF CREDIT RISK - CASH DEPOSITS IN EXCESS OF FDIC

ASI maintains checking and savings accounts at financial institutions that, generally, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. ASI bank balances may exceed FDIC coverage from time-to-time.

Note 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 a small endowment fund held and administered by a third party foundation. ASI has no ability to affect its earnings or distributions. The amount is minimal and is not recorded as an asset. Earnings are recognized when received.

Note 4 INVESTMENTS

ASI's investments consist of the following:

	<u>2018</u>	<u>2017</u>
Investments at fair value:		
Money market funds	\$115,244	\$170,785
Fixed income	2,803,814	3,090,580
Equities	2,489,004	2,453,060
Complementary strategies	483,163	500,292
Real assets	435,855	369,233
Total at fair value	<u>6,327,080</u>	<u>6,583,950</u>
Investments at cost:		
Accrued interest	<u>4,948</u>	<u>4,947</u>
Total investments	<u>\$6,332,028</u>	<u>\$6,588,897</u>

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

Net investment income is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$162,751	\$147,549
Change in fair value	180,923	280,199
Investment fees	<u>(55,736)</u>	<u>(54,423)</u>
Net investment income	<u>\$287,938</u>	<u>\$373,325</u>

Recap as presented on the Statement of Activities:

	<u>2018</u>	<u>2017</u>
Operating revenue	\$189,898	\$166,845
Nonoperating revenue	<u>98,040</u>	<u>206,480</u>
Net investment income	<u>\$287,938</u>	<u>\$373,325</u>

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Note 5 FAIR VALUE MEASUREMENTS

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

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

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

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

	September 30, 2017		
	Level 1	Level 2	Total
Investments:			
Mutual funds and exchange traded funds	\$2,009,221	\$ -	\$2,009,221
Corporate stock	1,514,150	-	1,514,150
Government bonds	1,311,742	818,460	2,130,202
Corporate bonds	-	930,377	930,377
Total	<u>\$4,835,113</u>	<u>\$1,748,837</u>	<u>\$6,583,950</u>

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

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Note 6 LAND, BUILDING AND EQUIPMENT

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

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$6,155,000	\$6,155,000
Building	23,951,112	23,948,972
Furniture and equipment	1,445,200	1,429,363
	<u>31,551,312</u>	<u>31,533,335</u>
Less accumulated depreciation	<u>(9,406,686)</u>	<u>(8,463,120)</u>
Total	<u>\$22,144,626</u>	<u>\$23,070,215</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:

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current:		
Rent	\$38,400	\$37,300
Program revenue	30,964	-
Gift certificates	6,382	5,025
Other	14,571	10,731
Total current	<u>90,317</u>	<u>53,056</u>
Noncurrent - rent	<u>242,604</u>	<u>281,000</u>
Total	<u>\$332,921</u>	<u>\$334,056</u>

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

Note 8 DEBT

ASI has a working line of credit, with maximum borrowings of \$500,000 until April 30, 2019. The line of credit has a variable interest equal to the prime rate plus 0.5%, with the prime rate never being less than 0.0%. The interest rate was 5.75% and 5% at September 30, 2018 and 2017, respectively. Interest only payments are made on a monthly basis. The working line of credit is collateralized by inventory and equipment. Amounts outstanding under this line of credit were \$0 as of September 30, 2018 and 2017.

Total interest incurred was \$0 for 2018 and \$0 for 2017.

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Note 9 RETIREMENT PLANS

ASI has a deferred compensation plan under section 457(b) of the Internal Revenue Code for highly compensated employees as defined by the Internal Revenue Code. Employer contributions to the plan are the lesser of \$17,500, adjusted for the calendar year to reflect increased in cost-of-living in accordance with section 457c(15) and 415(d) of the Internal Revenue Code, or 100% of the participants includable compensation for the taxable year. Total expense for each of the years ended September 30, 2018 and 2017 was \$18,000.

Note 10 NET ASSETS

Temporarily restricted net assets were comprised of the following:

	September 30,	
	2018	2017
Anne Ray Foundation	\$1,660,071	\$ -
Pommer Trust ¹ (building, maintenance, acquisition, and improvements)	668,641	667,170
Heritage Fund (general operations)	379,188	340,482
Malmberg Scholarship	211,565	204,076
David LaVine Funds (3)	318,944	285,917
Other	233,124	254,469
	<u>\$3,471,533</u>	<u>\$1,752,114</u>
Total		

¹ Included in temporarily restricted net assets is a term endowment. The principal portion of the Pommer Trust cannot be distributed for 99 years, which would be fiscal year 2090.

Permanently restricted net assets were comprised of the following:

	September 30,	
	2018	2017
David LaVine Family Fund (building, maintenance and improvements)	\$1,000,000	\$1,000,000
Ruth LaVine Memorial Fund (Swedish events and cultural programs)	50,000	50,000
David LaVine Cultural Fund (cultural programs)	75,000	75,000
Heritage Fund	1,495,359	1,495,359
Malmberg Scholarship and Study Fund (Swedish education programs)	612,588	612,588
Carlson Gardens (maintenance of verandah gardens)	65,000	65,000
Boyer Palmer endowment (general operations)	500,000	500,000
	<u>\$3,797,947</u>	<u>\$3,797,947</u>
Total		

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Board designated net assets were comprised of the following:

	September 30,	
	<u>2018</u>	<u>2017</u>
Estate gifts	<u>\$542,013</u>	<u>\$542,013</u>

Note 11 ENDOWMENT FUNDS

A. GENERAL

ASI's endowments consist of funds established to provide for building and gardens maintenance and improvements, scholarships, Swedish educational and cultural programs, as well as for general operations in support of the mission. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

B. INTERPRETATION OF RELEVANT LAW

The Board of Directors of ASI has interpreted the State of Minnesota's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring ASI to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds unless there are explicit donor stipulations to the contrary:

- The duration and preservation of the fund
- The purposes of ASI and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ASI
- The investment policies of ASI

For accounting purposes only, ASI classifies permanently restricted net assets 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 permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ASI.

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C. FINANCIAL INFORMATION

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

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	\$ -	\$948,662	\$3,797,947	\$4,746,609
Investment return:				
Investment income, net of fees	-	78,623	-	78,623
Change in fair value (realized and unrealized)	-	151,417	-	151,417
Total investment increase	-	230,040	-	230,040
Appropriation of endowment assets for expenditure	-	(134,000)	-	(134,000)
Contributions	-	-	-	-
Endowment net assets (deficit) end of period	<u>\$0</u>	<u>\$1,044,702</u>	<u>\$3,797,947</u>	<u>\$4,842,649</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets (deficit) beginning of period	\$ -	\$755,085	\$3,797,947	\$4,553,032
Investment return:				
Investment income, net of fees	-	78,676	-	78,676
Change in fair value (realized and unrealized)	-	234,686	-	234,686
Total investment increase	-	313,362	-	313,362
Appropriation of endowment assets for expenditure	-	(119,785)	-	(119,785)
Contributions	-	-	-	-
Endowment net assets (deficit) end of period	<u>\$0</u>	<u>\$948,662</u>	<u>\$3,797,947</u>	<u>\$4,746,609</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 5%, and (3) to seek competitive investment performance versus appropriate benchmarks.

E. STRATEGIES EMPLOYED FOR ACHIEVING INVESTMENT OBJECTIVES

To satisfy its long-term rate-of-return objectives, ASI relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). To achieve its investment objectives and annual rate of return, the endowment assets of ASI are to be invested approximately 29-49% in equity, 27-47% in fixed income, 0-20% in real assets, and 0-20% in other. ASI aims to have an investment portfolio that is consistent with its values and generate competitive risk adjusted returns. Sustainability is a Swedish value, evident in ASI's LEED Gold-certified Nelson Cultural Center. Therefore, ASI employs social screens whenever possible based on certain environmental, social, and governance criteria.

F. SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO THE SPENDING POLICY

It is ASI's goal over the long-term to achieve a return in excess of the spending policy. The Board approved a spending amount of 3-4% of the average fair value of the prior three years in 2018 and 2017. The distribution rate is discretionary.

Note 12 OPERATING LEASES

ASI has noncancellable operating leases for office equipment. Rent expenses for 2018 and 2017 were \$4,093 and \$4,133, respectively.

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

2019	\$3,285
2020	<u>2,085</u>
Total	<u><u>\$5,370</u></u>

Note 13 FUTURE LEASE COMMITMENT

On June 1, 2010, ASI signed a Letter of Partnership Agreement with an organization whereby ASI will lease to the organization 810 square feet of office space in the Nelson Cultural Center. The lease term is for 15 years beginning June 14, 2012. Payments have been prepaid. Unearned prepaid amounts are included in deferred revenue and totaled \$281,004 and \$318,300 at September 30, 2018 and 2017, respectively.

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Note 14 COMMITMENT FOR FOOD AND BEVERAGES MANAGEMENT

On September 22, 2014, ASI entered into a five year agreement to retain the management services with a third party vendor in connection with the management, operation, supervision, and maintenance of certain food and beverage services. This vendor has the exclusive right to manage these services except for certain events listed in the agreement. After five years, there is a renewal option for one additional five year period. This agreement is subject to earlier termination rights.

Note 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 10, 2019, the date which the financial statements were available to be issued, and concluded that there are no subsequent events that require disclosure.

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