

**THE AMERICAN SWEDISH INSTITUTE**

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

Years Ended September 30, 2014 and 2013

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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 not-for-profit corporation), which comprise the statements of financial position as of September 30, 2014 and 2013, 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, 2014 and 2013, 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

December 30, 2014

## **FINANCIAL STATEMENTS**

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**THE AMERICAN SWEDISH INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2014 and 2013

**Statement 1**

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets:		
Cash	\$268,673	\$519,140
Accounts receivable	53,260	23,745
Grants and contributions receivable, net	250,029	2,441,439
Inventory	236,992	234,224
Prepaid expenses	6,716	16,890
Total current assets	<u>815,670</u>	<u>3,235,438</u>
Noncurrent assets:		
Grants and contributions receivable, net	102,800	269,900
Investments	5,316,412	4,780,712
Collections for exhibitions	1,081,765	1,081,765
Land, building, and equipment, net	<u>25,273,163</u>	<u>26,204,730</u>
Total noncurrent assets	<u>31,774,140</u>	<u>32,337,107</u>
Total assets	<u><u>\$32,589,810</u></u>	<u><u>\$35,572,545</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$75,230	\$222,815
Accrued expenses	150,750	154,587
Deferred revenue	250,157	71,519
Line of credit	-	95,315
Total current liabilities	<u>476,137</u>	<u>544,236</u>
Long-term liabilities:		
Note payable	<u>2,360,396</u>	<u>4,941,225</u>
Total liabilities	<u>2,836,533</u>	<u>5,485,461</u>
Net assets:		
Unrestricted	24,400,852	24,857,734
Temporarily restricted	1,554,478	1,432,486
Permanently restricted	<u>3,797,947</u>	<u>3,796,864</u>
Total net assets	<u>29,753,277</u>	<u>30,087,084</u>
Total liabilities and net assets	<u><u>\$32,589,810</u></u>	<u><u>\$35,572,545</u></u>

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

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$266,270	\$ -	\$ -	\$266,270
Grants and contributions	1,462,269	8,576	1,083	1,471,928
Admissions and tours	333,601	-	-	333,601
Programs, classes, and events	334,734	-	-	334,734
Cultural enterprises, net of costs of goods sold of \$1,494,063	662,337	-	-	662,337
Investment income - operating	172	149,000	-	149,172
Other	74,150	-	-	74,150
Total operating revenues	<u>3,133,533</u>	<u>157,576</u>	<u>1,083</u>	<u>3,292,192</u>
Net assets released from restriction for operations	<u>168,576</u>	<u>(168,576)</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Programs, education, and other cultural activities	596,449	-	-	596,449
Museum, tours, and visitor services	861,933	-	-	861,933
Cultural enterprises	359,689	-	-	359,689
Administration	722,578	-	-	722,578
Communication	320,639	-	-	320,639
Membership and development	284,494	-	-	284,494
Total operating expenses	<u>3,145,782</u>	<u>0</u>	<u>0</u>	<u>3,145,782</u>
Change in net assets from operating activities	<u>156,327</u>	<u>(11,000)</u>	<u>1,083</u>	<u>146,410</u>
Nonoperating items:				
Investment income - nonoperating	-	208,435	-	208,435
Contributions for capitalized assets	108,355	124,557	-	232,912
Capital campaign contributions - designated by board	39,550	-	-	39,550
Capital campaign grants	-	-	-	-
Capital campaign expenditures	-	-	-	-
Depreciation	(961,114)	-	-	(961,114)
Net assets released from restrictions:				
Capital improvements and campaign expense	200,000	(200,000)	-	-
Total nonoperating items	<u>(613,209)</u>	<u>132,992</u>	<u>0</u>	<u>(480,217)</u>
Change in net assets	<u>(456,882)</u>	<u>121,992</u>	<u>1,083</u>	<u>(333,807)</u>
Net assets - beginning of period	<u>24,857,734</u>	<u>1,432,486</u>	<u>3,796,864</u>	<u>30,087,084</u>
Net assets - end of period	<u>\$24,400,852</u>	<u>\$1,554,478</u>	<u>\$3,797,947</u>	<u>\$29,753,277</u>

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

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues:				
Membership dues	\$280,395	\$ -	\$ -	\$280,395
Grants and contributions	1,102,721	71,738	316,826	1,491,285
Admissions and tours	313,894	-	-	313,894
Programs, classes, and events	234,374	-	-	234,374
Cultural enterprises, net of costs of goods sold of \$826,033	1,103,868	-	-	1,103,868
Investment income - operating	295	140,000	-	140,295
Other	76,102	-	-	76,102
Total operating revenues	<u>3,111,649</u>	<u>211,738</u>	<u>316,826</u>	<u>3,640,213</u>
Net assets released from restriction for operations	<u>874,402</u>	<u>(860,472)</u>	<u>(13,930)</u>	<u>-</u>
Operating expenses:				
Programs, education, and other cultural activities	602,629	-	-	602,629
Museum, tours, and visitor services	757,477	-	-	757,477
Cultural enterprises	1,102,786	-	-	1,102,786
Administration	542,823	-	-	542,823
Communications	258,085	-	-	258,085
Membership and development	296,208	-	-	296,208
Total operating expenses	<u>3,560,008</u>	<u>0</u>	<u>0</u>	<u>3,560,008</u>
Change in net assets from operating activities	<u>426,043</u>	<u>(648,734)</u>	<u>302,896</u>	<u>80,205</u>
Nonoperating items:				
Investment income - nonoperating	-	153,308	-	153,308
Contributions for capitalized assets	75,535	200,000	-	275,535
Capital campaign contributions - designated by board	220,973	-	-	220,973
Capital campaign grants	2,000,000	-	-	2,000,000
Capital campaign expenditures	(178,876)	-	-	(178,876)
Depreciation	(958,338)	-	-	(958,338)
Net assets released from restrictions:				
Capital improvements and campaign expense	-	-	-	-
Total nonoperating items	<u>1,159,294</u>	<u>353,308</u>	<u>0</u>	<u>1,512,602</u>
Change in net assets	<u>1,585,337</u>	<u>(295,426)</u>	<u>302,896</u>	<u>1,592,807</u>
Net assets - beginning of period	<u>23,272,397</u>	<u>1,727,912</u>	<u>3,493,968</u>	<u>28,494,277</u>
Net assets - end of period	<u>\$24,857,734</u>	<u>\$1,432,486</u>	<u>\$3,796,864</u>	<u>\$30,087,084</u>

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

	2014						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$282,223	\$471,320	\$222,991	\$505,876	\$120,716	\$226,134	\$1,829,260
Instructors and performers	81,674	13,274	-	-	-	-	94,948
Outside service	-	-	2,000	44,419	2,650	-	49,069
IT support	3,543	6,405	6,162	6,535	1,517	8,807	32,969
Utilities and insurance	29,640	112,368	40,101	31,218	1,744	1,744	216,815
Telephone and data	1,787	3,060	1,420	3,181	734	1,416	11,598
Repairs and maintenance	23,036	78,763	35,109	10,840	1,355	1,355	150,458
Equipment and space rent	36,463	1,656	5,932	1,803	419	810	47,083
Supplies	34,650	29,736	18,447	6,640	4,821	4,027	98,321
Exhibit expense	-	91,219	-	-	-	-	91,219
Other services & miscellaneous	19,228	2,280	3,048	-	859	130	25,545
Scholarship and grants	13,800	-	-	-	-	-	13,800
Food and catering	51,489	31,330	2,998	3,158	630	2,040	91,645
Postage and printing	4,804	3,266	210	6,125	92,463	30,213	137,081
Advertising and website	790	-	1,329	-	90,319	-	92,438
Travel and meals	3,418	4,294	113	16,764	1,662	2,369	28,620
License, fees, dues, and subscriptions	9,904	12,962	19,829	2,295	750	5,449	51,189
Interest	-	-	-	83,724	-	-	83,724
Total operating expense	596,449	861,933	359,689	722,578	320,639	284,494	3,145,782
Depreciation	248,946	360,724	271,583	70,223	5,651	3,987	961,114
Capital campaign expenditures	-	-	-	-	-	-	-
Total expenses	\$845,395	\$1,222,657	\$631,272	\$792,801	\$326,290	\$288,481	\$4,106,896

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

	2013						
	Programs, Education, and Cultural Activities	Museum, Tours, & Visitor Service	Cultural Enterprises	Administration	Communications	Memberships & Development	Total
Expenses:							
Personnel expense	\$241,796	\$405,597	\$850,224	\$396,067	\$76,021	\$225,846	\$2,195,551
Instructors and performers	87,816	11,740	501	-	-	-	100,057
Outside service	51,348	15,045	8,000	73,302	9,785	6,909	164,389
IT support	6,234	7,678	17,598	4,703	906	13,841	50,960
Utilities and insurance	26,265	95,289	39,285	30,203	1,545	1,545	194,132
Telephone and data	1,211	2,047	4,238	1,914	367	1,148	10,925
Repairs and maintenance	16,642	53,718	27,023	7,748	968	968	107,067
Equipment and space rent	38,981	1,361	7,852	1,330	256	803	50,583
Supplies	14,470	46,334	83,254	3,726	3,533	5,363	156,680
Exhibit expense	-	90,736	-	-	-	-	90,736
Other services & miscellaneous	13,505	2,201	6,188	6,512	1,118	455	29,979
Scholarship and grants	13,200	-	-	-	-	-	13,200
Food and kitchen expense	49,335	6,145	1,576	2,875	265	249	60,445
Postage and printing	28,563	4,321	6,438	2,530	81,170	31,527	154,549
Advertising and website	2,216	-	9,470	-	79,673	-	91,359
Travel and meals	4,472	3,577	4,447	9,178	1,915	1,896	25,485
License, fees, dues, and subscriptions	6,575	11,688	36,692	1,337	563	5,658	62,513
Interest	-	-	-	1,398	-	-	1,398
Total operating expense	602,629	757,477	1,102,786	542,823	258,085	296,208	3,560,008
Depreciation	250,049	355,848	273,460	69,515	5,505	3,961	958,338
Capital campaign expenditures	-	-	-	-	-	178,876	178,876
Total expenses	\$852,678	\$1,113,325	\$1,376,246	\$612,338	\$263,590	\$479,045	\$4,697,222

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, 2014 and 2013

**Statement 4**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	(\$333,807)	\$1,592,807
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in fair value of investments	(286,851)	(212,104)
Depreciation	961,114	958,337
Contributions restricted for long-term purpose	(1,083)	(316,826)
Loss on disposal of building and equipment	-	6,316
Changes in assets and liabilities, net:		
(Increase) decrease in grants and contributions receivable, operating	2,358,510	(970,991)
(Increase) decrease in accounts receivable	(29,515)	25,851
(Increase) decrease in inventory and prepaids	7,406	67,449
Increase (decrease) in accounts payable, accrued expenses and deferred revenue	27,216	(1,160,997)
Net cash provided (used) by operating activities	<u>2,702,990</u>	<u>(10,158)</u>
Cash flows from investing activities:		
Purchase of building improvements and equipment	(29,547)	(316,156)
Purchase of investments, including reinvested income	(396,110)	(87,011)
Proceeds from sale of investments	147,261	209,335
Net cash provided (used) by investing activities	<u>(278,396)</u>	<u>(193,832)</u>
Cash flows from financing activities:		
Proceeds (payments) from line of credit, net	(95,315)	95,315
Proceeds on note payable	-	500,000
Payments on note payable	(2,580,829)	(1,199,638)
Proceeds from contributions restricted for endowment and campaign	1,083	316,826
Net cash provided (used) by financing activities	<u>(2,675,061)</u>	<u>(287,497)</u>
Net increase (decrease) in cash	(250,467)	(491,487)
Cash at beginning of period	<u>519,140</u>	<u>1,010,627</u>
Cash at end of period	<u>\$268,673</u>	<u>\$519,140</u>
Supplemental information:		
Interest paid	<u>\$109,639</u>	<u>\$177,214</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, 2014 and 2013

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**Note 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

Founded in 1929 by Swedish immigrant newspaper publisher Swan Turnblad, today The American Swedish Institute (ASI) consists of a campus occupying the entire 2600 block of Park Avenue South in Minneapolis. Situated on this campus is the original home of the Turnblad family, a 33-room mansion with carriage house, built between 1904-08, which is on the National Register of Historic Places. A brilliant example of late Victorian architecture, it is considered one of America's finest mansions and a treasured, exquisitely preserved view into Minneapolis history. Also on this campus is the Carl and Leslie Nelson Cultural Center, which opened in July 2012. The Nelson Cultural Center is a LEED Gold-certified sustainable building which provides space for community gatherings, educational programming, exhibitions, collections conservation and cultural enterprises.

ASI is a vibrant arts and cultural organization that engages locally and connects globally. From the Turnblad Mansion and the Nelson Cultural Center, ASI seeks to be a community asset and partner by living up to its mission and vision.

The present Mission of ASI is as follows: ASI is a gathering place for all people to share experiences around themes of culture, migration, the environment and the arts, informed by enduring links to Sweden.

Our vision is that ASI will be a leading museum and cultural center of international reputation which invites all people to gather to connect their pasts to their shared future, to understand their heritage in relation to others and to discover their role as neighbors and global citizens. Vibrant, ongoing ties to Sweden will illuminate and inspire all these endeavors.

In fulfillment of this mission, ASI organizes its activities around three areas:

Programs, Education, and Cultural Activities - ASI produces a wide variety of programs (performances, lectures, concerts and film), as well as workshops and classes for adults and youth (on language, folk arts and crafts and other topics). ASI holds numerous events representing traditional and contemporary Nordic culture. A community outreach program extends ASI's educational initiatives to neighborhood schools and other organizations.

Museum, Tours, and Visitor Services - Each year ASI presents three to six 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, 2014 and 2013

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**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 eleven 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 (see Note 4), expense designated as part of the major campaign, 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 carried at average cost. Inventory is comprised of items for the museum shop and cafe.

**E. LAND, BUILDING, EQUIPMENT AND COLLECTIONS FOR EXHIBITIONS**

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

Collections for exhibitions are capitalized in accordance with the policy above. Purchased items are capitalized at cost, while contributed items are capitalized at the fair value on the date donated. Collection items are not depreciated.

**F. 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



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**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended September 30, 2014 and 2013

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.

**G. 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.

**H. DONATED 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.

**I. 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.

**J. 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:

	2014			2013		
	Operating	Nonoperating	Total	Operating	Nonoperating	Total
Program services	\$1,818,071	\$881,253	\$2,699,324	\$2,462,892	\$879,357	\$3,342,249
Admin & communications	1,043,217	75,874	1,119,091	800,908	75,020	875,928
Memberships & development	284,494	3,987	288,481	296,208	182,837	479,045
Total expense	<u>\$3,145,782</u>	<u>\$961,114</u>	<u>\$4,106,896</u>	<u>\$3,560,008</u>	<u>\$1,137,214</u>	<u>\$4,697,222</u>

**THE AMERICAN SWEDISH INSTITUTE**  
NOTES TO FINANCIAL STATEMENTS  
For The Years Ended September 30, 2014 and 2013

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**K. ADVERTISING COSTS**

Advertising costs are expensed as incurred. Total advertising expenses was \$86,471 and \$67,746 for 2014 and 2013, respectively.

**L. 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 and 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. Contributions and grants receivable consisted of the following:

	September 30,	
	2014	2013
Amounts due in:		
Less than one year	\$250,029	\$2,441,439
One to five years	105,000	274,100
Less discounts for time value of money	<u>(2,200)</u>	<u>(4,200)</u>
Total contributions and grants receivable	<u>\$352,829</u>	<u>\$2,711,339</u>

A discount rate of approximately 1.1 – 3.1% was used as of September 30, 2014. As of September 30, 2014, approximately 92% of contributions receivable before the unamortized discount was receivable from four donors.

A discount rate of approximately 0.7% – 3.9% was used as of September 30, 2013. As of September 30, 2013, approximately 87% of contributions receivable before the unamortized discount was receivable from three donors.

**M. 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.

**THE AMERICAN SWEDISH INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended September 30, 2014 and 2013

**N. RECLASSIFICATIONS**

Certain reclassifications were made to prior year amounts so they conform to current year presentation.

For FY 2014, ASI updated how it classifies operating and nonoperating activities (see Note 1B). FY 2013 amounts were reclassified to conform with the FY 2014 presentation, summarized as follows:

	2013		
	Originally Presented	Reclassifications	Reclassified Amounts
Operating revenues	\$3,499,918	\$140,295	\$3,640,213
Operating expenses	(4,518,346)	958,338	(3,560,008)
Nonoperating items	<u>2,611,235</u>	<u>(1,098,633)</u>	<u>1,512,602</u>
Change in net assets	<u>\$1,592,807</u>	<u>\$ -</u>	<u>\$1,592,807</u>

**Note 2 CONCENTRATION**

**A. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

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, ASI will be distributed the principal and income of the Trusts upon the death of the donors. ASI has determined the amount to be received will be minimal and thus does not have a receivable recorded.

**B. CHARITABLE ENDOWMENT FUND**

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

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**Note 4 INVESTMENTS**

ASI's investments consist of the following:

	September 30,	
	2014	2013
Investments at fair value:		
Money market funds	\$144,406	\$226,097
Fixed income	1,944,750	1,772,848
Equities	2,362,885	2,238,952
Complementary strategies	531,665	292,308
Real assets	313,476	239,125
Total at fair value	<u>5,297,182</u>	<u>4,769,330</u>
Investments at cost:		
Accrued interest	<u>19,230</u>	<u>11,382</u>
Total investments	<u><u>\$5,316,412</u></u>	<u><u>\$4,780,712</u></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:

	2014	2013
Interest and dividends	\$123,413	\$110,357
Change in fair value	286,851	229,613
Investment fees	<u>(52,657)</u>	<u>(46,367)</u>
Net investment income	<u><u>\$357,607</u></u>	<u><u>\$293,603</u></u>

Recap as presented on the Statement of Activities:

Operating revenue	\$149,172	\$140,295
Nonoperating revenue	<u>208,435</u>	<u>153,308</u>
As reported on the Statement of Activities	<u><u>357,607</u></u>	<u><u>293,603</u></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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Mutual funds and exchange traded funds	\$2,015,817	\$ -	\$2,015,817
Corporate stock	1,336,615	-	1,336,615
Government bonds	355,884	499,267	855,151
Corporate bonds	-	1,089,599	1,089,599
	<u>-\$3,708,316</u>	<u>\$1,588,866</u>	<u>\$5,297,182</u>
Total	<u>\$3,708,316</u>	<u>\$1,588,866</u>	<u>\$5,297,182</u>
	<u>September 30, 2013</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Mutual funds and exchange traded funds	\$2,369,671	\$ -	\$2,369,671
Corporate stock	772,985	-	772,985
Government bonds	363,137	262,146	625,283
Corporate bonds	-	1,001,391	1,001,391
	<u>-\$3,505,793</u>	<u>\$1,263,537</u>	<u>\$4,769,330</u>
Total	<u>\$3,505,793</u>	<u>\$1,263,537</u>	<u>\$4,769,330</u>

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

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**Note 6 LAND, BUILDING AND EQUIPMENT**

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

	September 30,	
	2014	2013
Land	\$6,155,000	\$6,155,000
Building	23,343,019	23,138,112
Furniture and equipment	1,381,366	1,392,118
Restoration project in progress	-	175,360
	<u>30,879,385</u>	<u>30,860,590</u>
Less accumulated depreciation	<u>(5,606,222)</u>	<u>(4,655,860)</u>
Total, net	<u><u>\$25,273,163</u></u>	<u><u>\$26,204,730</u></u>

**Note 7 DEBT**

ASI has a working line of credit, with maximum borrowings of \$400,000 through February 28, 2015. The line of credit has a variable interest equal to the prime rate, but with a minimum interest rate of 5.00%. The interest rate was 5.00% at September 30, 2014. Interest only payments are made on a monthly basis. The working line of credit is collateralized by accounts with the lender. Amounts outstanding under this line of credit were \$0 as of September 30, 2014 and \$95,315 as of September 30, 2013, respectively.

ASI has a program related investment loan, restricted for use for the construction of the Nelson Cultural Center building. The note agreement matures on January 15, 2017. The principal balance is due in full on the maturity date and may be prepaid at any time without penalty. The interest rate is 3% with interest due quarterly. Amounts outstanding under this line of credit were \$2,360,396 as of September 30, 2014 and \$4,941,225 as of September 30, 2013.

Total interest incurred was \$83,724 for 2014 and \$180,265 for 2013.

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**Note 8 NET ASSETS**

Temporarily restricted net assets were comprised of the following:

	September 30,	
	2014	2013
Pommer Trust <sup>1</sup> (building, maintenance, acquisition, and improvements)	\$626,677	\$602,247
Heritage Fund (general operations)	264,086	181,211
Malmberg Scholarship	181,199	153,150
David LaVine Funds (3)	247,655	211,298
Time restriction for multi-year pledge	-	200,000
Other	234,861	84,580
Total	<u>\$1,554,478</u>	<u>\$1,432,486</u>

<sup>1</sup> 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,	
	2014	2013
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	1,494,276
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
Total	<u>\$3,797,947</u>	<u>\$3,796,864</u>

**Note 9 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.

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**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 as permanently restricted net assets (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.

**C. FINANCIAL INFORMATION**

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

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	\$ -	\$555,927	\$3,796,864	\$4,352,791
Investment return:				
Net Investment Income, net of fees	-	67,705	-	67,705
Net depreciation (realized and unrealized)	-	237,289	-	237,289
Total investment increase	-	304,994	-	304,994
Appropriation of endowment assets for expenditure	-	(120,289)	-	(120,289)
Contributions	-	-	1,083	1,083
Endowment net assets (deficit) end of period	\$ -	\$740,632	\$3,797,947	\$4,538,579



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	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit) beginning of period	(\$31,816)	\$523,407	\$3,493,968	\$3,985,559
Investment return:				
Investment income, net of fees	-	58,980	-	58,980
Net appreciation (realized and unrealized)	31,816	152,219	-	184,035
Total investment increase	31,816	211,199	-	243,015
Appropriation of endowment assets for expenditure	-	(178,679)	(13,930)	(192,609)
Contributions	-	-	316,826	316,826
Endowment net assets (deficit) end of period	\$ -	\$555,927	\$3,796,864	\$4,352,791

**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. Historically, ASI had a spending policy of withdrawing 5% of the endowment fund's average fair value of the prior five years. This policy was suspended during the economic downturn in 2008. The Board approved a spending amount of 3% of the average fair value of the prior three years in 2014 and 2013. The distribution rate is discretionary.

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**Note 10 OPERATING LEASES**

ASI has a noncancellable operating lease for office equipment. The current lease is through May 2019 with monthly base payments of \$202. Rent expenses for 2014 and 2013 was \$4,778 and \$7,478, respectively.

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

2015	\$2,425
2016	2,425
2017	2,425
2018	2,425
2019	<u>1,617</u>
Total	<u><u>\$11,317</u></u>

**Note 11 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 new ASI building. The lease term is for 15 years beginning June 14, 2012. Payments are front loaded with one remaining \$200,000 payment due June 1, 2015. Unearned prepaid amounts are included in deferred revenue and totaled \$223,900 at September 30, 2014.

**Note 12 COMMITMENT FOR FOOD AND BEVERAGES MANAGEMENT**

Effective August 19, 2013, 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. The vendor will earn a management fee based on the operating income for the year.

**Note 13 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 30, 2014, the date which the financial statements were available to be issued, and concluded that there are no subsequent events that require disclosure.