

# **The American-Scandinavian Foundation**

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



# The American-Scandinavian Foundation

June 30, 2019 and 2018

## Contents

<b>Independent Auditor's Report .....</b>	<b>1</b>
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### **Financial Statements**

Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## Independent Auditor's Report

Board of Trustees  
The American-Scandinavian Foundation  
New York, New York

We have audited the accompanying financial statements of The American-Scandinavian Foundation, which comprise the statements of financial position as of June 30, 2019 and 2018, 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 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-Scandinavian Foundation as of June 30, 2019 and 2018, 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.

***Emphasis of Matter***

As described in *Note 2* to the financial statements, in 2019, The American-Scandinavian Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**BKD, LLP**

New York, New York  
January 28, 2020

**The American-Scandinavian Foundation**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 630,713	\$ 661,506
Investments	34,205,823	34,010,735
Accounts receivable	242,720	167,598
Receivable from King Street Capital L.P.	937,881	-
Inventory	176,257	165,897
Prepaid expenses	138,920	85,656
Property and equipment	14,249,664	14,668,623
Total assets	\$ 50,581,978	\$ 49,760,015
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 249,271	\$ 259,375
Deferred revenues	40,146	51,868
Grants payable	742,502	763,977
Total liabilities	1,031,919	1,075,220
 <b>Net Assets</b>		
Without donor restrictions		
Operating	1,156,844	971,271
Board designated	5,738,832	5,919,856
Plant fund	14,249,664	14,668,623
Total unrestricted	21,145,340	21,559,750
With donor restrictions	28,404,719	27,125,045
Total net assets	49,550,059	48,684,795
Total liabilities and net assets	\$ 50,581,978	\$ 49,760,015

**The American-Scandinavian Foundation**  
**Statements of Activities**  
**Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without Restrictions	With Donor Restrictions	Total	Without Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>						
Contributions	\$ 609,201	\$ 947,171	\$ 1,556,372	\$ 417,146	\$ 587,941	\$ 1,005,087
Special event	308,775	-	308,775	354,800	-	354,800
Less direct costs of special event	<u>(76,946)</u>	<u>-</u>	<u>(76,946)</u>	<u>(80,959)</u>	<u>-</u>	<u>(80,959)</u>
Total special event	231,829	-	231,829	273,841	-	273,841
Membership dues	234,519	-	234,519	253,900	-	253,900
Net investment return designated for current operations	397,817	1,017,911	1,415,728	386,546	980,537	1,367,083
Exchange program fees	107,910	-	107,910	136,300	-	136,300
Advertising and publishing	10,455	-	10,455	11,666	-	11,666
Ancillary service fees	817,930	-	817,930	743,976	-	743,976
Gift shop	496,642	-	496,642	518,940	-	518,940
Less direct costs of goods sold	<u>(261,652)</u>	<u>-</u>	<u>(261,652)</u>	<u>(256,042)</u>	<u>-</u>	<u>(256,042)</u>
Total gift shop	234,990	-	234,990	262,898	-	262,898
Program fees	90,409	-	90,409	71,936	-	71,936
Net assets released from restrictions	<u>1,728,718</u>	<u>(1,728,718)</u>	<u>-</u>	<u>1,558,452</u>	<u>(1,558,452)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,463,778</u>	<u>236,364</u>	<u>4,700,142</u>	<u>4,116,661</u>	<u>10,026</u>	<u>4,126,687</u>
<b>Expenses</b>						
Program services						
Training and fellowship programs	1,337,288	-	1,337,288	1,138,897	-	1,138,897
Membership	122,665	-	122,665	119,415	-	119,415
Public programs	2,072,967	-	2,072,967	1,920,459	-	1,920,459
Publications	<u>104,293</u>	<u>-</u>	<u>104,293</u>	<u>112,176</u>	<u>-</u>	<u>112,176</u>
Total program services	<u>3,637,213</u>	<u>-</u>	<u>3,637,213</u>	<u>3,290,947</u>	<u>-</u>	<u>3,290,947</u>

**The American-Scandinavian Foundation**  
**Statements of Activities (Continued)**  
**Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without Restrictions	With Donor Restrictions	Total	Without Restrictions	With Donor Restrictions	Total
<b>Expenses</b>						
Supporting services						
Management and general	\$ 609,121	\$ -	\$ 609,121	\$ 579,887	\$ -	\$ 579,887
Fundraising	216,489	-	216,489	244,146	-	244,146
Total supporting services	<u>825,610</u>	<u>-</u>	<u>825,610</u>	<u>824,033</u>	<u>-</u>	<u>824,033</u>
Total operating expenses	<u>4,462,823</u>	<u>-</u>	<u>4,462,823</u>	<u>4,114,980</u>	<u>-</u>	<u>4,114,980</u>
<b>Operating Income</b>	<u>955</u>	<u>236,364</u>	<u>237,319</u>	<u>1,681</u>	<u>10,026</u>	<u>11,707</u>
<b>Other Income (Expense)</b>						
Net investment return (loss) in excess of amounts designated for current operations	3,451	8,830	12,281	(35,433)	(77,676)	(113,109)
Contributions for long-term investment	-	1,176,003	1,176,003	-	590,539	590,539
Depreciation expense	(560,339)	-	(560,339)	(571,668)	-	(571,668)
Net assets released for property and equipment acquisitions	141,523	(141,523)	-	73,725	(73,725)	-
Total other income (expense)	<u>(415,365)</u>	<u>1,043,310</u>	<u>627,945</u>	<u>(533,376)</u>	<u>439,138</u>	<u>(94,238)</u>
<b>Change in Net Assets</b>	<u>(414,410)</u>	<u>1,279,674</u>	<u>865,264</u>	<u>(531,695)</u>	<u>449,164</u>	<u>(82,531)</u>
<b>Net Assets, Beginning of Year</b>	<u>21,559,750</u>	<u>27,125,045</u>	<u>48,684,795</u>	<u>22,091,445</u>	<u>26,675,881</u>	<u>48,767,326</u>
<b>Net Assets, End of Year</b>	<u>\$ 21,145,340</u>	<u>\$ 28,404,719</u>	<u>\$ 49,550,059</u>	<u>\$ 21,559,750</u>	<u>\$ 27,125,045</u>	<u>\$ 48,684,795</u>

# The American-Scandinavian Foundation

## Statements of Functional Expenses

### Years Ended June 30, 2019 and 2018

	2019									
	Program Services					Supporting Services				
	Training and Fellowship Programs	Membership	Public Programs	Publications	Total Program Services	Management and General	Fundraising	Special Events	Total Supporting Services	Total
<b>Expenses</b>										
Salaries	\$ 133,497	\$ 58,917	\$ 1,085,025	\$ 4,159	\$ 1,281,598	\$ 327,290	\$ 83,107	\$ -	\$ 410,397	\$ 1,691,995
Payroll taxes and employee benefits	25,221	7,915	243,432	848	277,416	94,155	32,785	-	126,940	404,356
Total personnel costs	158,718	66,832	1,328,457	5,007	1,559,014	421,445	115,892	-	537,337	2,096,351
Fellowships and grants	1,103,644	-	-	-	1,103,644	-	-	-	-	1,103,644
Honoraria	4,500	-	14,800	-	19,300	-	-	-	-	19,300
Advertising	-	-	6,858	-	6,858	-	226	-	226	7,084
Office supplies	91	593	22,965	-	23,649	5,212	654	-	5,866	29,515
Printing and duplicating	311	24,718	21,491	24,377	70,897	3,238	11,066	-	14,304	85,201
Computer maintenance	2,437	787	37,101	460	40,785	6,902	13,803	-	20,705	61,490
Dues and subscriptions	2,600	-	1,098	-	3,698	38	-	-	38	3,736
Telephone and internet provider	1,451	392	29,761	392	31,996	5,874	1,762	-	7,636	39,632
Postage and shipping	3,553	11,466	27,867	7,289	50,175	3,037	6,933	-	9,970	60,145
Building insurance	1,607	643	48,843	643	51,736	9,640	2,892	-	12,532	64,268
Officers' insurance	-	-	-	-	-	11,600	-	-	11,600	11,600
Professional fees	16,311	9,216	90,897	61,502	177,926	48,266	40,922	-	89,188	267,114
Travel and representation	26,897	605	30,298	-	57,800	11,003	1,466	-	12,469	70,269
Receptions and meetings	2,784	2,790	36,349	-	41,923	13,513	67	-	13,580	55,503
Bank processing and filing fees	1,274	179	38,430	179	40,062	2,692	808	-	3,500	43,562
Event catering	-	-	-	-	-	-	-	76,946	76,946	76,946
Depreciation	14,008	5,603	425,859	5,603	451,073	84,051	25,215	-	109,266	560,339
Occupancy expense	11,110	4,444	337,751	4,444	357,749	66,661	19,998	-	86,659	444,408
Cost of goods sold	-	-	261,652	-	261,652	-	-	-	-	261,652
Total expenses	1,351,296	128,268	2,760,477	109,896	4,349,937	693,172	241,704	76,946	1,011,822	5,361,759
<b>Less nonoperating expenses and expenses deducted from revenues on the statement of activities</b>										
Direct expenses of special events	-	-	-	-	-	-	-	(76,946)	(76,946)	(76,946)
Depreciation	(14,008)	(5,603)	(425,858)	(5,603)	(451,072)	(84,051)	(25,215)	-	(109,266)	(560,338)
Costs of goods sold	-	-	(261,652)	-	(261,652)	-	-	-	-	(261,652)
Total operating expenses as reported by function on the statement of activities	<u>\$ 1,337,288</u>	<u>\$ 122,665</u>	<u>\$ 2,072,967</u>	<u>\$ 104,293</u>	<u>\$ 3,637,213</u>	<u>\$ 609,121</u>	<u>\$ 216,489</u>	<u>\$ -</u>	<u>\$ 825,610</u>	<u>\$ 4,462,823</u>



**The American-Scandinavian Foundation**  
**Statements of Functional Expenses (Continued)**  
**Years Ended June 30, 2019 and 2018**

	2018									
	Program Services					Supporting Services				
	Training and Fellowship Programs	Membership	Public Programs	Publications	Total Program Services	Management and General	Fundraising	Special Events	Total Supporting Services	Total
<b>Expenses</b>										
Salaries	\$ 145,883	\$ 59,640	\$ 962,121	\$ 4,006	\$ 1,171,650	\$ 326,580	\$ 82,846	\$ -	\$ 409,426	\$ 1,581,076
Payroll taxes and employee benefits	39,941	8,252	186,779	871	235,843	80,473	29,908	-	110,381	346,224
<b>Total personnel costs</b>	<b>185,824</b>	<b>67,892</b>	<b>1,148,900</b>	<b>4,877</b>	<b>1,407,493</b>	<b>407,053</b>	<b>112,754</b>	<b>-</b>	<b>519,807</b>	<b>1,927,300</b>
Fellowships and grants	876,178	-	-	-	876,178	-	-	-	-	876,178
Honoraria	5,216	-	6,200	-	11,416	-	-	-	-	11,416
Advertising	-	-	4,258	-	4,258	-	-	-	-	4,258
Office supplies	292	1,808	29,065	100	31,265	4,117	549	-	4,666	35,931
Printing and duplicating	389	20,564	20,404	26,026	67,383	3,059	10,285	-	13,344	80,727
Computer maintenance	2,029	372	29,873	372	32,646	6,168	13,368	-	19,536	52,182
Dues and subscriptions	2,850	-	1,336	-	4,186	52	1,499	-	1,551	5,737
Telephone and internet provider	1,540	429	32,636	429	35,034	6,441	1,932	-	8,373	43,407
Postage and shipping	6,138	7,167	14,669	11,635	39,609	1,743	2,554	-	4,297	43,906
Building insurance	1,523	609	46,310	609	49,051	9,140	2,742	-	11,882	60,933
Officers' insurance	-	-	-	-	-	12,359	-	-	12,359	12,359
Professional fees	11,708	10,575	137,592	63,217	223,092	37,660	70,126	-	107,786	330,878
Travel and representation	28,859	1,325	23,791	-	53,975	6,804	4,459	-	11,263	65,238
Receptions and meetings	4,074	3,763	23,287	-	31,124	11,627	1,611	-	13,238	44,362
Bank processing and filing fees	411	165	41,415	165	42,156	2,469	908	-	3,377	45,533
Event catering	-	-	-	-	-	-	-	80,959	80,959	80,959
Depreciation	14,292	5,717	434,467	5,717	460,193	85,750	25,725	-	111,475	571,668
Occupancy expense	11,866	4,746	360,723	4,746	382,081	71,195	21,359	-	92,554	474,635
Cost of goods sold	-	-	256,042	-	256,042	-	-	-	-	256,042
<b>Total expenses</b>	<b>1,153,189</b>	<b>125,132</b>	<b>2,610,968</b>	<b>117,893</b>	<b>4,007,182</b>	<b>665,637</b>	<b>269,871</b>	<b>80,959</b>	<b>1,016,467</b>	<b>5,023,649</b>
<b>Less nonoperating expenses and expenses deducted from revenues on the statement of activities</b>										
Direct expenses of special events	-	-	-	-	-	-	-	(80,959)	(80,959)	(80,959)
Depreciation	(14,292)	(5,717)	(434,467)	(5,717)	(460,193)	(85,750)	(25,725)	-	(111,475)	(571,668)
Costs of goods sold	-	-	(256,042)	-	(256,042)	-	-	-	-	(256,042)
<b>Total operating expenses as reported by function on the statement of activities</b>	<b>\$ 1,138,897</b>	<b>\$ 119,415</b>	<b>\$ 1,920,459</b>	<b>\$ 112,176</b>	<b>\$ 3,290,947</b>	<b>\$ 579,887</b>	<b>\$ 244,146</b>	<b>\$ -</b>	<b>\$ 824,033</b>	<b>\$ 4,114,980</b>

# The American-Scandinavian Foundation

## Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Change in net assets	\$ 865,264	\$ (82,531)
Items not requiring (providing) operating cash flows		
Depreciation	560,339	571,668
Contributions for long-term investments	(1,176,003)	(590,539)
Realized and unrealized gains on investments	(620,640)	(795,738)
Changes in		
Accounts receivable	(75,122)	(26,666)
Inventory	(10,360)	(37,194)
Prepaid expenses	(53,264)	(10,094)
Accounts payable and accrued expenses	(10,104)	75,855
Deferred revenues	(11,722)	9,732
Grants payable	(21,475)	(43,150)
	<u>(553,087)</u>	<u>(928,657)</u>
Net cash used in operating activities		
<b>Investing Activities</b>		
Purchases of fixed assets	(141,380)	(73,726)
Purchases of investments	(2,468,824)	(2,676,137)
Proceeds from sales of investments	<u>1,956,495</u>	<u>3,223,326</u>
	<u>(653,709)</u>	<u>473,463</u>
Net cash (used in) provided by investing activities		
<b>Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	<u>1,176,003</u>	<u>590,539</u>
	<u>1,176,003</u>	<u>590,539</u>
Net cash provided by financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(30,793)	135,345
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>661,506</u>	<u>526,161</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 630,713</u>	<u>\$ 661,506</u>
<b>Supplemental Cash Flows Information</b>		
Receivable from King Street Capital L.P.	\$ 937,881	\$ -

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

The American-Scandinavian Foundation (the Foundation) is a publicly supported, nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation promotes international understanding through educational and cultural exchanges between the United States and the Scandinavian countries of Denmark, Finland, Iceland, Norway and Sweden. The Foundation carries on an extensive program of fellowships, grants, trainee internships, publishing, membership offerings and cultural activities. Headquartered in its Scandinavia House, located in New York City, the Foundation has associate members and subscribers worldwide and more than 30,000 alumni of its exchange programs in Scandinavia and the United States.

The Foundation's revenues primarily consist of contributions, investment income, ancillary fees and income from special events.

#### ***Basis of Presentation***

The financial statements have been prepared on the accrual basis of accounting.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted of money market accounts with brokers.

At June 30, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$427,000.

#### ***Investments and Net Investment Return***

Investments in securities having a readily determinable fair value are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in limited partnerships are recorded at net asset value (NAV), as a practical expedient.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation's Board of Trustees (the Board) designates only a portion of the Foundation's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the Foundation's spending policy (see *Note 5*) is used to support current operations.

### ***Accounts Receivable***

Accounts receivable are recorded based on agreed upon rates for ancillary service fees or unconditional promises to give. Interest is not accrued on outstanding receivables. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Management determines whether an allowance for uncollectible accounts should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions, subsequent receipts and historical information. Delinquent receivables and unconditional promises are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and building improvements	30-40 years
Furniture and equipment	5-10 years

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### **Long-Lived Asset Impairment**

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, as well as amounts to be used at the discretion of board specifically for fellowships, grants and program support.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### **Contributions**

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

Nature of the Gift	Value Recognized
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

### ***Special Event Revenue***

The Foundation hosts an annual spring gala and presents revenue from ticket and table sales as special event revenue. Costs directly related to the special event are deducted from the special event revenue on the statements of activities. In association with the ticket and table sales, the spring gala also raises support through contributions. Amounts raised in association with the spring gala in addition to the ticket and table sales recorded a special event revenue were approximately \$204,000 and \$89,000 for the years ended June 30, 2019 and 2018, respectively, and are recorded as contributions in the statements of activities.

### ***Inventory***

Inventory consists of items held in the gift shop. Costs are determined using the first-in, first-out method. Inventory is stated at the lower of cost and net realizable value.

### ***Grants Payable***

Grants payable represent amounts approved for grants that are to be paid in future periods. Grants payable are generally paid within 1 to 2 years.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### **Deferred Revenue**

Revenue from fees received for exchange program activities and ancillary services are deferred and recognized over the periods to which the fees relate. Deferred revenues are generally earned within one year.

### **Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the program and supporting services benefited. For the special event, direct expenses in the amounts of \$76,946 and \$80,959 as of June 30, 2019 and 2018, respectively, are reflected on the financial statements as a reduction of the revenues. All other costs associated with the event are reflected in the fundraising column in the statements of functional expenses.

### **Measure of Operations**

The measure of operations includes all revenues and expenses relating to programs services and services supporting operations of the Foundation. Miscellaneous investment return, nonoperating expenses, contributions for long-term investment and capital acquisitions, as well as net assets released from restrictions for long-term investment and capital acquisitions, are excluded from the measure of operations.

## **Note 2: Changes in Accounting Principles**

### **Presentation of Financial Statements for Not-for-Profit Entities**

In 2019, the American-Scandinavian Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes by financial statement area most relevant to the Foundation are as follows:

#### **Statements of Financial Position**

- The statements of financial position will distinguish between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

#### **Statements of Activities**

- Expenses are reported by both nature and function in one location.
- Investment return is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of internal board designations and appropriations as of the end of the period are disclosed.

This change has no impact on previously reported total change in net assets. Certain immaterial revisions have been made to the 2018 notes to the financial statements for the presentation of the enhanced quantitative and qualitative disclosures of net assets with donor restrictions and donor-restricted endowment funds, as well as the presentation of the related releases from restrictions and appropriation of amounts subject to the Foundation's spending policy. These revisions did not have an impact on financial statement line items or total changes in net assets.

### Note 3: Investments and Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities





# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2019 and 2018.

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities would be classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy. At June 30, 2019 and 2018, the Foundation did not have any securities classified as Level 2 or Level 3 investments of the valuation hierarchy.

### **Alternative Investments**

The investment in limited partnership measured at fair value using NAV per share practical expedient was previously included as a Level 3 investment within the fair value hierarchy. For the June 30, 2019 and 2018 financial statements, the investment in limited partnerships has been separately presented as investments measured at NAV and included in the totals above to permit reconciliation to the statement of financial position

The following table presents the Foundation's investment in a limited partnership measured at fair value using NAV per share as a practical expedient as of June 30, 2019 and 2018:

	<b>Year</b>	<b>Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
King Street Capital L.P.	2019	\$ 3,225,664	None	Quarterly	65 Days
King Street Capital L.P.	2018	4,111,432	None	Quarterly	65 Days

King Street Capital Limited Partnership (King Street Capital L.P.) is primarily a fixed-income investment securities manager that has both long and short positions in specific debt securities. As of June 30, 2019 and 2018, the Foundation's partnership ownership percentage was approximately 0.046779 percent and 0.059328 percent, respectively.

During the year ended June 30, 2019, the Foundation requested to redeem its investment in King Street Capital L.P. The redemption will be paid out in four consecutive quarterly payments beginning on June 30, 2019. Total amount in the first redemption on June 30, 2019 was \$937,881 and was not received by the Foundation until July 2019. As a result, the redemption is presented as a receivable from King Street Capital L.P. in the June 30, 2019 statement of financial position. Additionally, subsequent to the year ended June 30, 2019, the second quarterly redemption was received by the Foundation in the amount of approximately \$922,000.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

During the year ended June 30, 2018, the Foundation redeemed its investment in Equinox Limited Partnership. Total redemption during the year ended June 30, 2018 was \$1,346,336.

### **Concentrations**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

### **Note 4: Net Assets**

#### **Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Fellowship and grants	\$ 8,928,709	\$ 8,184,841
Scandinavia House operations	474,636	477,557
Scandinavia House special programs	<u>2,895,039</u>	<u>2,375,552</u>
	12,298,384	11,037,950
Endowment investment return subject to endowment spending policy and appropriation		
Fellowship and grants	7,482,850	7,475,610
Endowment not subject to spending policy or appropriation		
Fellowship and grants	<u>8,623,485</u>	<u>8,611,485</u>
	<u>\$ 28,404,719</u>	<u>\$ 27,125,045</u>

During the year ended June 30, 2019, the Foundation received two contributions from two different donors with the individual contributions approximating 35 and 25 percent, respectively, of total contributions received during the year then ended. During the year ended June 30, 2018, the Foundation received one contribution from a donor with the individual contribution approximating 24 percent of total contributions received during the year then ended.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

During the year ended June 30, 2019, the Foundation was notified it was awarded a \$1,500,000 grant from a private foundation to be used for the purpose of supporting perpetuating Scandinavian traditional folk art and cultural traditions in the Upper Midwest through regranting the funds to traditional artists and practitioners. The grant term begins November 11, 2019 and goes through June 30, 2023. No amounts were received during the year ended June 30, 2019 related to this grant award and, as a result, no amounts are reflected in the June 30, 2019 financial statements.

### **Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Purpose restrictions		
Fellowship and grants	\$ 425,440	\$ 249,010
Scandinavia House operations	42,849	36,806
Scandinavia House special programs	582,225	645,468
Fixed asset acquisitions	<u>141,523</u>	<u>73,725</u>
	1,192,037	1,005,009
Restricted purpose spending-rate appropriations		
Fellowship and grants	<u>678,204</u>	<u>627,168</u>
	<u>\$ 1,870,241</u>	<u>\$ 1,632,177</u>

### **Note 5: Endowment**

The Foundation's endowment consists of approximately 35 individual donor-restricted funds established for fellowships and grants. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions. NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Foundation has adopted the NYPMIFA spending policy.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

Additionally, in accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Change in endowment net assets for the years ended June 30, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds, beginning of year	\$ 16,087,095	\$ 16,099,903
Contributions	12,000	12,450
Interest and dividends	485,631	354,638
Realized and unrealized gains	334,405	381,955
Investment fees	(134,592)	(134,683)
Appropriation of endowment assets for expenditure	<u>(678,204)</u>	<u>(627,168)</u>
Donor-restricted endowment funds, end of year	<u>\$ 16,106,335</u>	<u>\$ 16,087,095</u>

### ***Return Objectives and Risk Parameters***

The investment objective of the endowment is to provide a stream of earnings that exceeds the sum of inflation and the risk-free return available in the market over a multiyear period with only a moderate amount of risk. Funds are invested in a diversified portfolio of stocks, mutual funds and limited partnerships that value long-term appreciation as well as current income.

### ***Strategies Employed for Achieving Objectives***

The Investment Committee establishes an asset allocation with the goal of achieving a superior risk-adjusted total return. The Investment Committee chooses managers, monitors their results, and rebalances the assets between managers as required. The Investment Committee reports regularly to the Board, and all major decisions are reviewed and approved by the Board before they are implemented. All assets are managed by professional investment managers.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### ***Spending Policy and How Investment Objectives Relate to the Spending Policy***

Not-for-Profit Corporation Law (NPCL) allows the net appreciation realized (with respect to all assets) and unrealized (with respect only to readily marketable assets) to be appropriated for expenditure, unless prohibited by the donor in the applicable gift instrument. Pursuant to Section 513(c) of the NPCL, the Board of the Foundation may appropriate these amounts if such a decision is prudent under the standard established by NPCL Section 717. The Investment Committee each year proposes a spending rate to be applied to the five-year average of the balances in those funds whose gift documents allow net appreciation to be spent. The Board then reviews this proposal and sets a spending rate after considering the long- and short-term needs of the Foundation in carrying out its purposes, its present and anticipated financial requirements, expected total return of its investments, price level trends, general economic conditions and other relevant factors.

The Foundation's board established a spending policy of appropriating for expenditure each year 4.375 percent of its endowment fund's average fair value over time. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an approximate average of 7 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

### ***Underwater Endowments***

The governing body of the Foundation has interpreted NYPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument

The Foundation has interpreted NYPMIFA to not permit spending from underwater funds in accordance with the prudent measures required under the law. The Foundation did not have any funds with deficiencies at June 30, 2019 and 2018.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 630,713	\$ 661,506
Investments	34,205,823	34,010,735
Accounts receivable	242,720	167,598
Inventory	<u>176,257</u>	<u>165,897</u>
Total financial assets	<u>35,255,513</u>	<u>35,005,736</u>
Donor-imposed restrictions		
Donor restricted funds	12,298,384	11,037,950
Endowments	<u>16,106,335</u>	<u>16,087,095</u>
Total donor-imposed restrictions	<u>28,404,719</u>	<u>27,125,045</u>
Net financial assets after donor-imposed restrictions	6,850,794	7,880,691
Internal designations		
Board-advised funds	<u>5,738,832</u>	<u>5,919,856</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,111,962</u>	<u>\$ 1,960,835</u>

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to not be available to meet cash needs for general expenditures. Donor restricted funds are not classified as financial assets available to meet cash needs for general expenditures within one year, however, the Foundation could seek from donors to have these amounts made available if necessary.

The Foundation's endowment funds consist of donor-restricted endowments. Investment return from donor-restricted endowments is restricted for fellowships and grants. Donor-restricted endowment funds are not available for general expenditure.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. These are presented as financial assets available to meet cash needs for general expenditures within one year.

The Foundation has internally designated board-advised restricted funds. While the Board has internally designated these funds for specified purposes, however, these funds are available to be used for other operating purposes at the discretion and re-designation of the Board.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 7: Property and Equipment

Property and equipment at June 30, 2019 and 2018 consists of:

	<u>2019</u>	<u>2018</u>
Land	\$ 5,000,000	\$ 5,000,000
Building	16,755,540	16,755,540
Building improvements	602,042	474,653
Furniture and equipment	<u>2,147,252</u>	<u>2,133,261</u>
	24,504,834	24,363,454
Less accumulated depreciation	<u>(10,255,170)</u>	<u>(9,694,831)</u>
	<u>\$ 14,249,664</u>	<u>\$ 14,668,623</u>

Construction of Scandinavia House - The Nordic Center in North America (Scandinavia House) at 56-58 Park Avenue in New York City began in 1999 and opened to the public in October 2000. Scandinavia House includes exhibition spaces, an auditorium, book/gift shop, café, library/resource center, children's learning center, meeting rooms and the Foundation's offices.

### Note 8: Defined Contribution Pension Plan

The Foundation maintains a defined contribution pension plan for employees who have attained the age of 21 and have completed one year (a minimum of 1,000 hours) of service. The Foundation's contributions were at the rate of 5 percent of compensation for eligible participants for the years ended June 30, 2019 and 2018 and totaled approximately \$64,000 and \$55,000, respectively.

### Note 9: Subsequent Event

Subsequent events have been evaluated through January 28, 2020, which is the date the financial statements were available to be issued.



# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 10: Future Changes in Accounting Principles

#### ***Revenue Recognition***

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for the Foundation's year ending June 30, 2020. The Foundation is in the process of beginning to evaluate the impact the new standard will have on the financial statements.

#### ***FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions***

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The new standard will be effective for the Foundation's year ending June 30, 2020. The Foundation is in the process of beginning to evaluate the impact the amendment will have on the financial statements.