

**THE AMERICAN-SCANDINAVIAN
FOUNDATION**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2017

THE AMERICAN-SCANDINAVIAN FOUNDATION

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**Board of Directors
The American-Scandinavian Foundation**

Report on the Financial Statements

We have audited the accompanying financial statements of The American-Scandinavian Foundation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The American-Scandinavian Foundation's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

November 8, 2017

THE AMERICAN-SCANDINAVIAN FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Summarized Financial Information for June 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 526,161	\$ 354,592
Investments - at fair value (Note 4)	33,762,186	31,792,463
Accounts receivable	140,932	161,007
Inventory	128,703	144,166
Prepaid expenses	75,562	60,866
Fixed assets - net (Note 3)	<u>15,166,565</u>	<u>15,685,956</u>
Total assets	<u>\$ 49,800,109</u>	<u>\$ 48,199,050</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 183,520	\$ 266,039
Deferred revenues	42,136	41,867
Grants payable	<u>807,127</u>	<u>672,559</u>
Total liabilities	<u>1,032,783</u>	<u>980,465</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	1,233,689	894,214
Board designated	5,691,191	5,517,078
Plant fund	<u>15,166,565</u>	<u>15,685,956</u>
Total unrestricted	22,091,445	22,097,248
Temporarily restricted (Note 6)	18,076,846	16,530,252
Permanently restricted (Note 7)	<u>8,599,035</u>	<u>8,591,085</u>
Total net assets	<u>48,767,326</u>	<u>47,218,585</u>
Total liabilities and net assets	<u>\$ 49,800,109</u>	<u>\$ 48,199,050</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE AMERICAN-SCANDINAVIAN FOUNDATION

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(With Summarized Financial Information
for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Operating revenues and other support					
Contributions	\$ 541,912	\$ 501,199		\$ 1,043,111	\$ 1,042,099
Special events	\$ 328,750				
Less direct cost of special events	<u>(95,666)</u>	233,084		233,084	174,585
Membership dues	261,678			261,678	223,225
Investment return designated for current operations (Note 4)	367,988	898,200		1,266,188	1,475,044
Exchange program fees	173,400			173,400	173,030
Advertising and publishing	11,156			11,156	12,905
Ancillary service fees	739,448			739,448	671,404
Gift shop	459,354				
Less cost of goods sold	<u>(234,747)</u>	224,607		224,607	293,881
Program fees	82,040			82,040	87,864
Net assets released from restrictions (Note 6)	<u>1,367,943</u>	<u>(1,367,943)</u>			
Total operating revenues and other support	<u>4,003,256</u>	<u>31,456</u>		<u>4,034,712</u>	<u>4,154,037</u>
Operating expenses (Exhibit C)					
Program services					
Training and fellowship programs	1,190,365			1,190,365	960,262
Membership	114,490			114,490	99,519
Public programs	1,905,283			1,905,283	1,868,635
Publications	<u>112,418</u>			<u>112,418</u>	<u>110,170</u>
Total program services	<u>3,322,556</u>			<u>3,322,556</u>	<u>3,038,586</u>

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THE AMERICAN-SCANDINAVIAN FOUNDATION

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

**(With Summarized Financial Information
for the Year Ended June 30, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Operating expenses (Exhibit C) (continued)					
Supporting services					
Management and general	\$ 470,354			\$ 470,354	\$ 447,314
Fundraising	209,438			209,438	244,615
	<u>679,792</u>			<u>679,792</u>	<u>691,929</u>
Total supporting services					
	<u>4,002,348</u>			<u>4,002,348</u>	<u>3,730,515</u>
Results of operations	908	\$ 31,456		32,364	423,522
Other changes in net assets					
Investment return in excess of amounts designated for current operations (Note 4)	512,680	1,257,921		1,770,601	(2,180,809)
Contributions for long-term investment		301,824	\$ 7,950	309,774	2,142,110
Depreciation expense	(563,998)			(563,998)	(639,502)
Net assets released for fixed asset acquisitions (Note 6)	44,607	(44,607)			
	<u>(5,803)</u>	<u>1,546,594</u>	<u>7,950</u>	<u>1,548,741</u>	<u>(254,679)</u>
Change in net assets (Exhibit D)					
Net assets - beginning of year	<u>22,097,248</u>	<u>16,530,252</u>	<u>8,591,085</u>	<u>47,218,585</u>	<u>47,473,264</u>
Net assets - end of year (Exhibit A)	<u>\$ 22,091,445</u>	<u>\$ 18,076,846</u>	<u>\$ 8,599,035</u>	<u>\$ 48,767,326</u>	<u>\$ 47,218,585</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(With Summarized Financial Information
for the Year Ended June 30, 2016)

	Program Services					Supporting Services				Total	
	Training and Fellowship Programs	Membership	Public Programs	Publications	Total	Management and General	Fund-raising	Special Events	Total	2017	2016
Salaries	\$ 161,782	\$ 50,787	\$ 924,316	\$ 4,902	\$ 1,141,787	\$ 258,216	\$ 75,159		\$ 333,375	\$ 1,475,162	\$ 1,464,893
Payroll taxes and employee benefits	29,701	4,509	177,799	892	212,901	61,068	7,222		68,290	281,191	298,717
Total personnel costs	191,483	55,296	1,102,115	5,794	1,354,688	319,284	82,381		401,665	1,756,353	1,763,610
Fellowships and grants	938,056				938,056					938,056	690,330
Honoraria	3,300		1,300		4,600					4,600	5,100
Advertising			1,356		1,356					1,356	2,783
Office supplies	330	15,565	23,380	446	39,721	4,987	1,906		6,893	46,614	42,283
Printing and duplicating	457	13,071	18,862	27,510	59,900	1,839	5,704		7,543	67,443	85,998
Equipment expense											470
Computer maintenance	1,527	3,181	15,334	181	20,223	2,711	15,045		17,756	37,979	41,779
Dues and subscriptions	2,649		1,131		3,780	265			265	4,045	4,611
Telephone and internet provider	1,321	331	25,119	331	27,102	4,958	1,637		6,595	33,697	39,070
Postage and shipping	6,187	9,164	16,478	9,594	41,423	1,547	3,025		4,572	45,995	41,616
Building insurance	1,406	562	42,743	562	45,273	8,436	2,531		10,967	56,240	52,533
Officers' insurance						13,370			13,370	13,370	13,623
Professional fees	5,742	9,602	234,500	63,621	313,465	34,522	64,813		99,335	412,800	356,716
Travel and representation	20,182	1,080	32,519		53,781	2,580	6,501		9,081	62,862	65,916
Receptions and meetings	1,805	2,259	32,488		36,552	10,158	2,686		12,844	49,396	64,759
Bank processing and filing fees	5,349	151	36,596	151	42,247	2,270	4,181		6,451	48,698	51,995
Event catering								\$ 95,666	95,666	95,666	108,415
Depreciation	14,100	5,640	428,638	5,640	454,018	84,600	25,380		109,980	563,998	639,502
Occupancy expense	10,571	4,228	321,362	4,228	340,389	63,427	19,028		82,455	422,844	407,323
Cost of goods sold			234,747		234,747					234,747	235,819
Investment fees						280,716			280,716	280,716	262,408
Total expenses	1,204,465	120,130	2,568,668	118,058	4,011,321	835,670	234,818	95,666	1,166,154	5,177,475	4,976,659
Less nonoperating expenses and expenses deducted from revenues on the statement of activities											
Direct expenses of special events								(95,666)	(95,666)	(95,666)	(108,415)
Depreciation	(14,100)	(5,640)	(428,638)	(5,640)	(454,018)	(84,600)	(25,380)		(109,980)	(563,998)	(639,502)
Cost of goods sold			(234,747)		(234,747)					(234,747)	(235,819)
Investment fees						(280,716)			(280,716)	(280,716)	(262,408)
Total operating expense as reported by function on the statement of activities (Exhibit B)	\$ 1,190,365	\$ 114,490	\$ 1,905,283	\$ 112,418	\$ 3,322,556	\$ 470,354	\$ 209,438	\$ -	\$ 679,792	\$ 4,002,348	\$ 3,730,515

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE AMERICAN-SCANDINAVIAN FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 1,548,741
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	563,998
Contributions restricted for long-term investments	(309,774)
Realized and unrealized gains on investments	(2,710,218)
Decrease (increase) in assets	
Accounts receivable	20,075
Inventory	15,463
Prepaid expenses	(14,696)
Increase in liabilities	
Accounts payable and accrued expenses	(82,519)
Deferred revenues	269
Grants payable	134,568
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Net cash used by operating activities	(834,093)
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Cash flows from investing activities	
Purchase of fixed assets	(44,607)
Purchase of investments	(1,711,764)
Proceeds from sales of investments	2,452,259
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Net cash provided by investing activities	695,888
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Cash flows from financing activities	
Proceeds from contributions restricted for long-term investment	309,774
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Net change in cash and cash equivalents	171,569
Cash and cash equivalents - beginning of year	354,592
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Cash and cash equivalents - end of year	\$ 526,161
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See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE AMERICAN-SCANDINAVIAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - NATURE OF ORGANIZATION

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. 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, special events, membership dues, ancillary service fees and gift shop revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of three months or less.

Investments - Investments are recorded at fair value, with the resulting gains or losses included in the statement of activities. The Board of Directors (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 4) is used to support current operations.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible, based on the markets' fluctuations, that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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THE AMERICAN-SCANDINAVIAN FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts receivable - Accounts receivable are recorded based on agreed upon rates for ancillary service fees earned. Interest is not accrued on outstanding receivables.

Allowance for doubtful accounts - Management determines whether an allowance for uncollectibles should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of the receivable, other sources, current economic conditions, subsequent receipts and historical information. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. No allowance for doubtful accounts was deemed necessary as of June 30, 2017.

Inventory - Inventory is recorded at the lower of cost (first-in, first-out method) or market.

Fixed assets - Fixed assets costing in excess of \$500 with useful lives of more than one year are capitalized. Depreciation is recorded on the straight-line method over their estimated useful lives, ranging from four to forty years.

Deferred revenues - Fees received in advance for exchange program activities and ancillary services are deferred to future periods. Deferred revenue is generally earned within one year.

Grants payable - Grants payable represents amounts approved for grants that are to be paid in future periods.

Net assets - The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets, which include board designated and undesignated amounts, are not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income from such investments be utilized.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received and expended in the same fiscal year are reflected as unrestricted revenues.

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THE AMERICAN-SCANDINAVIAN FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional expenses - The costs of providing the Foundation's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For the special event, direct expenses in the amount of \$95,666 are reflected on the financial statements as a reduction of revenue. All other costs associated with the event are reflected in the fundraising column of the functional expenses.

Results of operations - The financial statements of the Foundation include results from operations as the performance indicator. Excluded from the performance indicator are investment returns in excess of amounts designated for current operations, contributions for long-term investment (contributions held for long-term program objectives) and depreciation expense.

Revenue recognition

Membership dues - Membership dues are recognized based on established rates over the membership period.

Exchange program fees - Fees received in conjunction with the Foundation's exchange program are recognized over the term of the program.

Advertising and publishing revenue - Revenue from advertising or publications is recognized based on the terms of signed agreements.

Ancillary service fees - Ancillary service fees include fees received for rentals and commissions, which are recognized when earned for Scandinavia House.

Gift shop - Gift shop revenue is recognized at the point of sale net of the cost of goods sold.

Program fees - Fees are charged for various cultural programs throughout the year. Income is recognized when the program takes place.

Advertising expense - Advertising is recorded as an expense in the period of the expenditure.

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THE AMERICAN-SCANDINAVIAN FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements***

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 as compared to those used at June 30, 2016.

Mutual funds - Valued at the net asset value (NAV) of shares held at year end.

Limited partnerships - There are no observable inputs and certain of the underlying investments are not publicly traded and there is no secondary market for such funds. The investment in limited partnerships is valued at the NAV of shares held at year end by the managers of the underlying funds.

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THE AMERICAN-SCANDINAVIAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The assets at fair value as of June 30, 2017 are set forth by level and type within the fair value hierarchy in Note 4.

Uncertainty in income taxes - The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through November 8, 2017, which is the date the financial statements were available to be issued.

Reclassification - Certain 2016 amounts on Exhibit C were reclassified between natural expense categories to conform to the 2017 presentation.

NOTE 3 - FIXED ASSETS

Fixed assets, at cost, consist of the following:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life</u>
Scandinavia House			
Land	\$ 5,000,000	\$ 5,000,000	
Building	16,755,540	16,755,540	40 years
Building improvements	423,017	409,291	40 years
Furniture and equipment	<u>2,111,171</u>	<u>2,080,290</u>	4 to 5 years
	24,289,728	24,245,121	
Less accumulated depreciation	<u>(9,123,163)</u>	<u>(8,559,165)</u>	
Net	<u>\$ 15,166,165</u>	<u>\$ 15,685,956</u>	

Construction of Scandinavia House - The Nordic Center of 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.

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THE AMERICAN-SCANDINAVIAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - INVESTMENTS

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2017. See Note 2 for a full description of various levels.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - global asset allocation	\$ 17,915,252	\$ -	\$ 17,915,252
Mutual funds - benchmark-free allocation	8,698,036	-	8,698,036
Mutual funds - total return fund	1,919,360	-	1,919,360
Limited partnerships	<u>-</u>	<u>5,203,437</u>	<u>5,203,437</u>
Total investments reported on the fair value hierarchy	<u>\$ 28,532,648</u>	<u>\$ 5,203,437</u>	33,736,085
Cash equivalents			<u>26,101</u>
Total investments			<u>\$ 33,762,186</u>

The following table presents the Foundation's Level 3 asset balances measured at fair value on a recurring basis as of June 30, 2017.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equinox Limited Partnership (a)	\$ 1,226,164	None	Quarterly	90 days
King Street Limited Partnership (b)	<u>3,977,273</u>	None	Quarterly	65 days
	<u>\$ 5,203,437</u>			

- (a) Equinox Limited Partnership: A conservative, deep value investor in smaller capitalization stocks globally. It takes both long and short positions, but its gross long and short exposures are modest, at no more than 150%. Its returns are large and volatile, but uncorrelated with the U.S. equity market. The fair value of the investment is estimated with the net asset value per share of the investment.

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THE AMERICAN-SCANDINAVIAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - INVESTMENTS (continued)

Fair Value Measurements (continued)

(b) King Street Limited Partnership: Primarily a fixed-income manager that has both long and short positions in specific debt securities. The fair value is estimated with the net asset value per share of the investment.

Level 3 gains and losses - The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2017:

	Limited Partnerships
Balance, beginning of year	\$ 5,987,866
Redemptions	(1,117,649)
Realized and unrealized gains	333,220
Balance, end of year	\$ 5,203,437
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	
	\$ 215,571

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 26,101	\$ 26,101	\$ 42,777	\$ 42,777
Mutual funds	25,432,653	28,532,648	25,137,829	25,761,820
Limited partnerships	3,000,000	5,203,437	4,000,000	5,987,866
	\$ 28,458,754	\$ 33,762,186	\$ 29,180,606	\$ 31,792,463

Under the Foundation's spending policy, a rate of 4.500% of the average of the fair value over the previous five years was appropriated to support current operations for 2017.

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THE AMERICAN-SCANDINAVIAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - INVESTMENTS (continued)

Fair Value Measurements (continued)

The following schedule summarizes the investment return and its classification in the statement of activities:

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Interest and dividends	\$ 176,113	\$ 431,174	\$ 607,287	\$ 735,662
Realized and unrealized gains/losses	785,963	1,924,255	2,710,218	(1,179,019)
Investment fees	<u>(81,408)</u>	<u>(199,308)</u>	<u>(280,716)</u>	<u>(262,408)</u>
Net return on investments	880,668	2,156,121	3,036,789	(705,765)
Less investment return designated for current operations	<u>(367,988)</u>	<u>(898,200)</u>	<u>(1,266,188)</u>	<u>(1,475,044)</u>
Investment return less amounts designated for current operations	<u>\$ 512,680</u>	<u>\$ 1,257,921</u>	<u>\$ 1,770,601</u>	<u>\$ (2,180,809)</u>

NOTE 5 - 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% of compensation for eligible participants for the years ended June 30, 2017 and 2016 and totaled \$39,302 and \$46,976, respectively.

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THE AMERICAN-SCANDINAVIAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and programs:

Fellowship and grants	\$ 15,306,242
Scandinavia House operations	480,441
Scandinavia House special programs	<u>2,290,163</u>
	<u>\$ 18,076,846</u>

During 2017, net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows:

Fellowship and grants	\$ 938,056
Scandinavia House operations	41,187
Scandinavia House special programs	<u>388,700</u>
Net assets released from restriction - operating	1,367,943
Fixed assets acquisitions	<u>44,607</u>
Total net assets released from restriction	<u>\$ 1,412,550</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT FUNDS

General

The Foundation has 62 donor-restricted endowment funds established to help fund various fellowships and grants.

Interpretation of Relevant Law

The Board of Directors of the Foundation adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). 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 is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years’ balance. As a result of this interpretation, the Foundation 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 the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

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THE AMERICAN-SCANDINAVIAN FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT FUNDS
(continued)****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 multi-year period with only a moderate amount of risk. Funds are invested in mutual funds and limited partnerships.

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.

Spending Policy and How Investment Objectives Relate to the Spending Policy

Not-for-Profit Corporation Law (N-PCL) 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 N-PCL, the Board of the Foundation may appropriate these amounts if such a decision is prudent under the standard established by N-PCL 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. In 2017 the Board approved a spending rate of 4.500% of the average of the fair value over time.

Funds with Deficiencies

The Foundation does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

The endowment net asset composition consists of \$8,599,035 of permanently donor-restricted funds and \$7,500,868 of temporarily restricted net assets primarily to support fellowships and grants.

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THE AMERICAN-SCANDINAVIAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS - ENDOWMENT FUNDS
(continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2017

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,981,026	\$ 8,591,085	\$ 15,572,111
Contributions		7,950	7,950
Interest and dividends	291,498		291,498
Realized and unrealized gains	1,300,905		1,300,905
Investment fees	(134,505)		(134,505)
Appropriation of endowment assets for expenditure	<u>(938,056)</u>	<u> </u>	<u>(938,056)</u>
Endowment net assets, end of year	<u>\$ 7,500,868</u>	<u>\$ 8,599,035</u>	<u>\$ 16,099,903</u>

NOTE 8 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash balances in excess of federally insured limits. Management monitors the soundness of its financial institutions and believes the Foundation's risk is negligible.