

# **The American-Scandinavian Foundation**

Independent Auditor's Report and Financial Statements

June 30, 2018



# The American-Scandinavian Foundation

June 30, 2018

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## 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 statement of financial position as of June 30, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Audited by Other Auditors and Summarized Comparative Information***

The 2017 financial statements were audited by other auditors and their report thereon, dated November 8, 2017, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent with the audited financial statements from which it has been derived.

***BKD, LLP***

New York, New York  
November 15, 2018

**The American-Scandinavian Foundation**  
**Statement of Financial Position**  
**June 30, 2018**  
**(With Summarized Financial Information for June 30, 2017)**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 661,506	\$ 526,161
Investments	34,010,735	33,762,186
Accounts receivable	167,598	140,932
Inventory	165,897	128,703
Prepaid expenses	85,656	75,562
Property and equipment	14,668,623	15,166,565
Total assets	\$ 49,760,015	\$ 49,800,109
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 259,375	\$ 183,520
Deferred revenues	51,868	42,136
Grants payable	763,977	807,127
Total liabilities	1,075,220	1,032,783
<b>Net Assets</b>		
Unrestricted		
Operating	971,271	1,233,689
Board designated	5,919,856	5,691,191
Plant fund	14,668,623	15,166,565
Total unrestricted	21,559,750	22,091,445
Temporarily restricted	18,513,560	18,076,846
Permanently restricted	8,611,485	8,599,035
Total net assets	48,684,795	48,767,326
Total liabilities and net assets	\$ 49,760,015	\$ 49,800,109

**The American-Scandinavian Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2018**  
**(With Summarized Financial Information for Year Ended June 30, 2017)**

		Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
					2018	2017
<b>Revenues, Gains and Other Support</b>						
Contributions		\$ 417,146	\$ 587,941	\$ -	\$ 1,005,087	\$ 1,043,111
Special event	\$ 354,800					
Less direct costs of special event	(80,959)	273,841	-	-	273,841	233,084
Membership dues		253,900	-	-	253,900	261,678
Investment return designated for current operations		386,546	980,537	-	1,367,083	1,266,188
Exchange program fees		136,300	-	-	136,300	173,400
Advertising and publishing		11,666	-	-	11,666	11,156
Ancillary service fees		743,976	-	-	743,976	739,448
Gift shop	\$ 518,940					
Less direct costs of goods sold	(256,042)	262,898	-	-	262,898	224,607
Program fees		71,936	-	-	71,936	82,040
Net assets released from restrictions		1,558,452	(1,558,452)	-	-	-
Total revenues, gains and other support		<u>4,116,661</u>	<u>10,026</u>	<u>-</u>	<u>4,126,687</u>	<u>4,034,712</u>
<b>Expenses</b>						
<b>Program Services</b>						
Training and fellowship programs		1,138,897	-	-	1,138,897	1,190,365
Membership		119,415	-	-	119,415	114,490
Public programs		1,920,459	-	-	1,920,459	1,905,283
Publications		112,176	-	-	112,176	112,418
Total program services		<u>3,290,947</u>	<u>-</u>	<u>-</u>	<u>3,290,947</u>	<u>3,322,556</u>
<b>Supporting Services</b>						
Management and general		579,887	-	-	579,887	470,354
Fundraising		244,146	-	-	244,146	209,438
Total supporting services		<u>824,033</u>	<u>-</u>	<u>-</u>	<u>824,033</u>	<u>679,792</u>
Total operating expenses		<u>4,114,980</u>	<u>-</u>	<u>-</u>	<u>4,114,980</u>	<u>4,002,348</u>
<b>Operating Income</b>		<u>1,681</u>	<u>10,026</u>	<u>-</u>	<u>11,707</u>	<u>32,364</u>
<b>Other Income (Expense)</b>						
Investment return (loss) in excess of amounts designated for current operations		(35,433)	(77,676)	-	(113,109)	1,770,601
Contributions for long-term investment		-	578,089	12,450	590,539	309,774
Depreciation expense		(571,668)	-	-	(571,668)	(563,998)
Net assets released for fixed asset acquisitions		73,725	(73,725)	-	-	-
Total other income (expense)		<u>(533,376)</u>	<u>426,688</u>	<u>12,450</u>	<u>(94,238)</u>	<u>1,516,377</u>
<b>Change in Net Assets</b>		<u>(531,695)</u>	<u>436,714</u>	<u>12,450</u>	<u>(82,531)</u>	<u>1,548,741</u>
<b>Net Assets, Beginning of Year</b>		<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>
<b>Net Assets, End of Year</b>		<u>\$ 21,559,750</u>	<u>\$ 18,513,560</u>	<u>\$ 8,611,485</u>	<u>\$ 48,684,795</u>	<u>\$ 48,767,326</u>

**The American-Scandinavian Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**  
**(With Summarized Financial Information for Year Ended June 30, 2017)**

	Program Services					Supporting Services				Totals	
	Training and Fellowship Programs	Membership	Public Programs	Publications	Total Program Services	Management and General	Fundraising	Special Events	Total Supporting Services	2018	2017
<b>Expenses</b>											
Salaries	\$ 145,883	\$ 59,640	\$ 962,121	\$ 4,006	\$ 1,171,650	\$ 326,580	\$ 82,846	\$ -	\$ 409,426	\$ 1,581,076	\$ 1,475,162
Payroll taxes and employee benefits	39,941	8,252	186,779	871	235,843	80,473	29,908	-	110,381	346,224	281,191
Total personnel costs	185,824	67,892	1,148,900	4,877	1,407,493	407,053	112,754	-	519,807	1,927,300	1,756,353
Fellowships and grants	876,178	-	-	-	876,178	-	-	-	-	876,178	938,056
Honoraria	5,216	-	6,200	-	11,416	-	-	-	-	11,416	4,600
Advertising	-	-	4,258	-	4,258	-	-	-	-	4,258	1,356
Office supplies	292	1,808	29,065	100	31,265	4,117	549	-	4,666	35,931	46,614
Printing and duplicating	389	20,564	20,404	26,026	67,383	3,059	10,285	-	13,344	80,727	67,443
Computer maintenance	2,029	372	29,873	372	32,646	6,168	13,368	-	19,536	52,182	37,979
Dues and subscriptions	2,850	-	1,336	-	4,186	52	1,499	-	1,551	5,737	4,045
Telephone and internet provider	1,540	429	32,636	429	35,034	6,441	1,932	-	8,373	43,407	33,697
Postage and shipping	6,138	7,167	14,669	11,635	39,609	1,743	2,554	-	4,297	43,906	45,995
Building insurance	1,523	609	46,310	609	49,051	9,140	2,742	-	11,882	60,933	56,240
Officers' insurance	-	-	-	-	-	12,359	-	-	12,359	12,359	13,370
Professional fees	11,708	10,575	137,592	63,217	223,092	37,660	70,126	-	107,786	330,878	412,800
Travel and representation	28,859	1,325	23,791	-	53,975	6,804	4,459	-	11,263	65,238	62,862
Receptions and meetings	4,074	3,763	23,287	-	31,124	11,627	1,611	-	13,238	44,362	49,396
Bank processing and filing fees	411	165	41,415	165	42,156	2,469	908	-	3,377	45,533	48,698
Event catering	-	-	-	-	-	-	-	80,959	80,959	80,959	95,666
Depreciation	14,292	5,717	434,467	5,717	460,193	85,750	25,725	-	111,475	571,668	563,998
Occupancy expense	11,866	4,746	360,723	4,746	382,081	71,195	21,359	-	92,554	474,635	422,844
Cost of goods sold	-	-	256,042	-	256,042	-	-	-	-	256,042	234,747
Investment fees	-	-	-	-	-	280,590	-	-	280,590	280,590	280,716
Total expenses	1,153,189	125,132	2,610,968	117,893	4,007,182	946,227	269,871	80,959	1,297,057	5,304,239	5,177,475
<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)	(95,666)
Depreciation	(14,292)	(5,717)	(434,467)	(5,717)	(460,193)	(85,750)	(25,725)	-	(111,475)	(571,668)	(563,998)
Costs of goods sold	-	-	(256,042)	-	(256,042)	-	-	-	-	(256,042)	(234,747)
Investment fees	-	-	-	-	-	(280,590)	-	-	(280,590)	(280,590)	(280,716)
Total operating expenses as reported by function on the statement of activities	\$ 1,138,897	\$ 119,415	\$ 1,920,459	\$ 112,176	\$ 3,290,947	\$ 579,887	\$ 244,146	\$ -	\$ 824,033	\$ 4,114,980	\$ 4,002,348

**The American-Scandinavian Foundation**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**  
**(With Summarized Financial Information for Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b>Operating Activities</b>		
Change in net assets	\$ (82,531)	\$ 1,548,741
Items not requiring (providing) cash		
Depreciation	571,668	563,998
Contributions for long-term investments	(590,539)	(309,774)
Realized and unrealized gains on investments	(795,738)	(2,710,218)
Changes in		
Accounts receivable	(26,666)	20,075
Inventory	(37,194)	15,463
Prepaid expenses	(10,094)	(14,696)
Accounts payable and accrued expenses	75,855	(82,519)
Deferred revenues	9,732	269
Grants payable	(43,150)	134,568
Net cash used in operating activities	<u>(928,657)</u>	<u>(834,093)</u>
<b>Investing Activities</b>		
Purchases of fixed assets	(73,726)	(44,607)
Purchases of investments	(2,676,137)	(1,711,764)
Proceeds from sales of investments	3,223,326	2,452,259
Net cash provided by investing activities	<u>473,463</u>	<u>695,888</u>
<b>Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	590,539	309,774
Net cash provided by financing activities	<u>590,539</u>	<u>309,774</u>
<b>Increase in Cash and Cash Equivalents</b>	135,345	171,569
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>526,161</u>	<u>354,592</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 661,506</u>	<u>\$ 526,161</u>



# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 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 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.

#### ***Summarized Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

#### ***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, 2018, cash equivalents consisted of money market accounts with brokers.

At June 30, 2018, the Foundation's cash accounts exceeded federally insured limits by approximately \$457,000.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

### ***Investments and 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 partnership are recorded at net asset value (NAV), as a practical expedient. 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.

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, 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 year ended June 30, 2018.

### ***Unrestricted Net Assets***

The Foundation's unrestricted net assets, which is comprised of operating, board designated and a plant fund, is not subject to donor-imposed stipulations.

### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

### ***Inventory***

Inventory consists of items held in the gift shop. Costs are determined using the first-in, first-out (FIFO) 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, 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 fund raising categories based on the program and supporting services benefited. For the special event, direct expenses in the amount of \$80,959 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 of the functional expenses.

### **Note 2: Investments and Investment Return**

Investments at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Mutual funds – money market	\$ 26,370	\$ 26,101
Mutual funds – global asset allocation	19,471,873	17,915,252
Mutual funds – benchmark-free allocation	9,403,602	8,698,036
Mutual funds – total return fund	899,928	1,919,360
Equity securities		
Industrials	41,961	-
Financial	55,569	-
Limited partnerships	4,111,432	5,203,437
	<u>4,111,432</u>	<u>5,203,437</u>
Total investments	<u>\$ 34,010,735</u>	<u>\$ 33,762,186</u>

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

Under the Foundation's spending policy, a rate of 4.375% of the average of the fair value over time was appropriated to support current operations for 2018. Total investment return is comprised of the following:

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
Dividends and interest	\$ 206,871	\$ 531,955	\$ 738,826	\$ 607,287
Realized and unrealized gains	222,807	572,931	795,738	2,710,218
Investment advisory and custody fees	(78,565)	(202,025)	(280,590)	(280,716)
Net return on investments	<u>\$ 351,113</u>	<u>\$ 902,861</u>	<u>\$ 1,253,974</u>	<u>\$ 3,036,789</u>

Total investment return is reflected in the statement of activities as follows:

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
Operating income	\$ 386,546	\$ 980,537	\$ 1,367,083	\$ 1,266,188
Other (nonoperating income)	(35,433)	(77,676)	(113,109)	1,770,601
Net return on investments	<u>\$ 351,113</u>	<u>\$ 902,861</u>	<u>\$ 1,253,974</u>	<u>\$ 3,036,789</u>

### Alternative Investments

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
King Street Limited Partnership	\$ 4,111,432	None	Quarterly	65 Days

King Street Limited Partnership is primarily a fixed-income investment securities manager that has both long and short positions in specific debt securities. The Foundation owns \_\_\_ shares, representing an ownership percentage of approximately \_\_%. The total unrealized gain on King Street Limited Partnership as of June 30, 2018 was \$254,331 and is excluded from current operations.

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

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

### Note 3: 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

### Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

	<b>Total</b>	<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Investments Measured at NAV<sup>(A)</sup></b>
Mutual funds – money market	\$ 26,370	\$ 26,370	\$ -
Mutual funds – global asset allocation	19,471,873	19,471,873	-
Mutual funds – benchmark-free allocation	9,403,602	9,403,602	-
Mutual funds – total return fund	899,928	899,928	-
Equity securities			
Industrials	41,961	41,961	-
Financial	55,569	55,569	-
Limited partnerships	4,111,432	-	4,111,432
	<u>\$ 34,010,735</u>	<u>\$ 29,899,303</u>	<u>\$ 4,111,432</u>

- (A) The investment measured at fair value using the net asset value per share practical expedient has not been classified in the fair value hierarchy. The totals included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

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 year ended June 30, 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, 2018, the Foundation did not have any securities classified as Level 2 or Level 3 investments of the valuation hierarchy.

The investment in limited partnerships measured at fair value using the net asset value per share practical expedient was previously included as a level 3 investment within the fair value hierarchy. For June 30, 2018 financial statement, 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.

### *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: Temporarily Restricted Net Assets**

### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30, 2018 are available for the following purposes or periods:

Fellowship and grants	\$ 15,660,451
Scandinavia House operations	477,557
Scandinavia House special programs	<u>2,375,552</u>
	<u>\$ 18,513,560</u>

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

### ***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.

Fellowship and grants	\$	876,178
Scandinavia House operations		36,806
Scandinavia House special programs		645,468
Fixed asset acquisitions		<u>73,725</u>
	\$	<u>1,632,177</u>

### **Note 5: Endowment**

The Foundation's endowment consists of approximately 62 individual donor-restricted funds established for fellowships and grants. As required by accounting principles generally accepted in the United States of America (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 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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by 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 has adopted the NYPMIFA spending policy. 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



# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

The composition of net assets by type of endowment fund at June 30, 2018 was:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds, beginning of year	\$ 7,500,868	\$ 8,599,035	\$ 16,099,903
Contributions	-	12,450	12,450
Investment and dividends	354,638	-	354,638
Realized and unrealized gains	381,955	-	381,955
Investment fees	(134,683)	-	(134,683)
Appropriation of endowment assets for expenditure	(876,178)	-	(876,178)
Donor-restricted endowment funds, end of year	<u>\$ 7,226,600</u>	<u>\$ 8,611,485</u>	<u>\$ 15,838,085</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 multi-year 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.

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

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 2018, the Board established a spending rate of 4.375% of the average of the fair value over time. The rate for 2017 was 4.500%.

### ***Funds with Deficiencies***

The Foundation does not have any funds with deficiencies.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

### Note 6: Property and Equipment

Property and equipment at June 30, 2018 consists of:

Land	\$	5,000,000
Building		16,755,540
Building improvements		474,653
Furniture and equipment		<u>2,133,261</u>
		24,363,454
Less accumulated depreciation		<u>(9,694,831)</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 7: 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% of compensation for eligible participants for the years ended June 30, 2018 and 2017 and totaled \$55,121 and \$39,302, respectively.

### Note 8: Subsequent Event

Subsequent events have been evaluated through November 15, 2018, which is the date the financial statements were issued.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

### Note 9: Future Changes in Accounting Principles

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

The Financial Accounting Standards Board 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 annual periods beginning after December 15, 2018, for nonpublic entities (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). The Foundation intends to begin the process of evaluating the impact the amendment will have on the financial statements.

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

The FASB recently issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017.

A summary of the changes by financial statement area most relevant to the Foundation are as follows:

##### **Statement of Financial Position**

- The statement 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.

##### **Statement of Activities**

- Expenses are reported by both nature and function in one location.

Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

##### **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.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2018

- Amounts and purposes of governing Board designations and appropriations as of the end of the period are disclosed.

The Foundation intends to begin the process of evaluating the impact the amendment 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. For public entities, the standard will be effective for annual reporting periods beginning on or after June 15, 2018. For all other entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.

### **Accounting Standard Update – Statement of Cash Flows: Restricted Cash**

ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, clarifies the presentation and disclosure requirements of restricted cash. The ASU requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash in the statement of cash flows. The amendments apply to all entities with restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230, including NFP entities. The ASU requires disclosure of information about the nature of restrictions on cash, cash equivalents and restricted cash balances. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods therein and for all other entities the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted which includes adoption in an interim period. The Foundation does not expect the amendment to have an effect on the financial statements currently but it could in future periods if the Foundation has restricted cash balances.