

# **The American-Scandinavian Foundation**

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



# The American-Scandinavian Foundation

June 30, 2020 and 2019

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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 statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

*BKD, LLP*

New York, New York  
May 10, 2021

# The American-Scandinavian Foundation

## Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,220,746	\$ 630,713
Investments	32,650,361	34,205,823
Accounts receivable	153,201	242,720
Receivable from King Street Capital L.P.	80,272	937,881
Contribution receivable	750,000	-
Inventory	113,304	176,257
Prepaid expenses	289,818	138,920
Property and equipment	<u>13,809,520</u>	<u>14,249,664</u>
Total assets	<u>\$ 49,067,222</u>	<u>\$ 50,581,978</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 287,493	\$ 249,271
Deferred revenues	262,076	40,146
Grants payable	<u>942,493</u>	<u>742,502</u>
Total liabilities	<u>1,492,062</u>	<u>1,031,919</u>
<b>Net Assets</b>		
Without donor restrictions		
Operating	645,429	1,156,844
Board designated	5,204,668	5,738,832
Plant fund	<u>13,809,520</u>	<u>14,249,664</u>
Total without donor restrictions	19,659,617	21,145,340
With donor restrictions	<u>27,915,543</u>	<u>28,404,719</u>
Total net assets	<u>47,575,160</u>	<u>49,550,059</u>
Total liabilities and net assets	<u>\$ 49,067,222</u>	<u>\$ 50,581,978</u>

# The American-Scandinavian Foundation

## Statements of Activities

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Restrictions	With Donor Restrictions	Total	Without Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>						
Contributions	\$ 1,001,842	\$ 2,088,170	\$ 3,090,012	\$ 609,201	\$ 947,171	\$ 1,556,372
Special event	-	-	-	308,775	-	308,775
Less direct costs of special event	-	-	-	(76,946)	-	(76,946)
Total special event	-	-	-	231,829	-	231,829
Membership dues	215,088	-	215,088	234,519	-	234,519
Net investment return designated for current operations	398,524	1,030,898	1,429,422	397,817	1,017,911	1,415,728
Exchange program fees	89,180	-	89,180	107,910	-	107,910
Advertising and publishing	3,271	-	3,271	10,455	-	10,455
Ancillary service fees	577,251	-	577,251	817,930	-	817,930
Gift shop	386,148	-	386,148	496,642	-	496,642
Less direct costs of goods sold	(211,770)	-	(211,770)	(261,652)	-	(261,652)
Total gift shop	174,378	-	174,378	234,990	-	234,990
Program fees	63,314	-	63,314	90,409	-	90,409
Net assets released from restrictions	1,505,803	(1,505,803)	-	1,728,718	(1,728,718)	-
Total revenues, gains and other support	4,028,651	1,613,265	5,641,916	4,463,778	236,364	4,700,142
<b>Expenses</b>						
Program services						
Training and fellowship programs	1,283,785	-	1,283,785	1,337,288	-	1,337,288
Membership	129,958	-	129,958	122,665	-	122,665
Public programs	1,914,147	-	1,914,147	2,072,967	-	2,072,967
Publications	108,639	-	108,639	104,293	-	104,293
Total program services	3,436,529	-	3,436,529	3,637,213	-	3,637,213

**The American-Scandinavian Foundation**  
**Statements of Activities (Continued)**  
**Years Ended June 30, 2020 and 2019**

	2020			2019		
	Without Restrictions	With Donor Restrictions	Total	Without Restrictions	With Donor Restrictions	Total
<b>Expenses</b>						
Supporting services						
Management and general	\$ 549,219	\$ -	\$ 549,219	\$ 609,121	\$ -	\$ 609,121
Fundraising	229,055	-	229,055	216,489	-	216,489
Total supporting services	<u>778,274</u>	<u>-</u>	<u>778,274</u>	<u>825,610</u>	<u>-</u>	<u>825,610</u>
Total operating expenses	<u>4,214,803</u>	<u>-</u>	<u>4,214,803</u>	<u>4,462,823</u>	<u>-</u>	<u>4,462,823</u>
<b>Operating Income</b>	<u>(186,152)</u>	<u>1,613,265</u>	<u>1,427,113</u>	<u>955</u>	<u>236,364</u>	<u>237,319</u>
<b>Other Income (Expense)</b>						
Net investment return (loss) in excess of amounts designated for current operations	(859,423)	(2,223,152)	(3,082,575)	3,451	8,830	12,281
Contributions for long-term investment	-	211,125	211,125	-	1,176,003	1,176,003
Depreciation expense	(530,562)	-	(530,562)	(560,339)	-	(560,339)
Net assets released for property and equipment acquisitions	90,414	(90,414)	-	141,523	(141,523)	-
Total other income (expense)	<u>(1,299,571)</u>	<u>(2,102,441)</u>	<u>(3,402,012)</u>	<u>(415,365)</u>	<u>1,043,310</u>	<u>627,945</u>
<b>Change in Net Assets</b>	<u>(1,485,723)</u>	<u>(489,176)</u>	<u>(1,974,899)</u>	<u>(414,410)</u>	<u>1,279,674</u>	<u>865,264</u>
<b>Net Assets, Beginning 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>
<b>Net Assets, End of Year</b>	<u>\$ 19,659,617</u>	<u>\$ 27,915,543</u>	<u>\$ 47,575,160</u>	<u>\$ 21,145,340</u>	<u>\$ 28,404,719</u>	<u>\$ 49,550,059</u>

**The American-Scandinavian Foundation**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2020 and 2019**

	2020								
	Program Services					Supporting Services			
	Training and Fellowship Programs	Membership	Public Programs	Publications	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
<b>Expenses</b>									
Salaries	\$ 136,775	\$ 67,734	\$ 1,026,646	\$ 4,031	\$ 1,235,186	\$ 300,301	\$ 89,392	\$ 389,693	\$ 1,624,879
Payroll taxes and employee benefits	51,660	9,060	286,307	1,126	348,153	91,041	37,363	128,404	476,557
Total personnel costs	188,435	76,794	1,312,953	5,157	1,583,339	391,342	126,755	518,097	2,101,436
Fellowships and grants	1,033,440	-	-	-	1,033,440	-	-	-	1,033,440
Honoraria	3,600	-	520	-	4,120	-	-	-	4,120
Advertising	-	-	3,182	-	3,182	-	-	-	3,182
Office supplies	1,046	17,028	17,781	-	35,855	3,444	2,710	6,154	42,009
Printing and duplicating	391	15,713	22,857	23,997	62,958	1,719	2,677	4,396	67,354
Computer maintenance	2,242	341	28,277	341	31,201	6,153	2,819	8,972	40,173
Dues and subscriptions	2,652	-	839	-	3,491	133	-	133	3,624
Telephone and internet provider	999	400	30,367	400	32,166	6,072	1,798	7,870	40,036
Postage and shipping	2,343	6,184	8,718	12,049	29,294	2,984	293	3,277	32,571
Building insurance	1,699	679	51,638	679	54,695	10,192	3,058	13,250	67,945
Officers' insurance	-	-	-	-	-	11,602	-	11,602	11,602
Professional fees	11,514	5,890	68,234	61,993	147,631	45,441	70,113	115,554	263,185
Travel and representation	18,790	102	27,138	-	46,030	2,168	690	2,858	48,888
Receptions and meetings	6,697	2,804	16,485	-	25,986	7,634	42	7,676	33,662
Bank processing and filing fees	273	157	31,375	157	31,962	2,351	705	3,056	35,018
Depreciation	13,264	5,306	403,227	5,306	427,103	79,584	23,875	103,459	530,562
Occupancy expense	9,664	3,866	293,783	3,866	311,179	57,984	17,395	75,379	386,558
Cost of goods sold	-	-	211,770	-	211,770	-	-	-	211,770
Total expenses	1,297,049	135,264	2,529,144	113,945	4,075,402	628,803	252,930	881,733	4,957,135
Less nonoperating expenses and expenses deducted from revenues on the statement of activities									
Depreciation	(13,264)	(5,306)	(403,227)	(5,306)	(427,103)	(79,584)	(23,875)	(103,459)	(530,562)
Costs of goods sold	-	-	(211,770)	-	(211,770)	-	-	-	(211,770)
Total operating expenses as reported by function on the statement of activities	\$ 1,283,785	\$ 129,958	\$ 1,914,147	\$ 108,639	\$ 3,436,529	\$ 549,219	\$ 229,055	\$ 778,274	\$ 4,214,803



**The American-Scandinavian Foundation**  
**Statements of Functional Expenses (Continued)**  
**Years Ended June 30, 2020 and 2019**

	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
Less nonoperating expenses and expenses deducted from revenues on the statement of activities										
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	\$ 1,337,288	\$ 122,665	\$ 2,072,967	\$ 104,293	\$ 3,637,213	\$ 609,121	\$ 216,489	\$ -	\$ 825,610	\$ 4,462,823

# The American-Scandinavian Foundation

## Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Activities</b>		
Change in net assets	\$ (1,974,899)	\$ 865,264
Items not requiring (providing) operating cash flows		
Depreciation	530,562	560,339
Contributions for long-term investments	(211,125)	(1,176,003)
Realized and unrealized gains on investments	2,730,246	(620,640)
Changes in		
Accounts receivable	89,519	(75,122)
Receivable from King Street Capital L.P.	-	-
Contribution receivable	(750,000)	-
Inventory	62,953	(10,360)
Prepaid expenses	(150,898)	(53,264)
Accounts payable and accrued expenses	38,222	(10,104)
Deferred revenues	221,930	(11,722)
Grants payable	199,991	(21,475)
Net cash provided by (used in) operating activities	786,501	(553,087)
<b>Investing Activities</b>		
Purchases of property and equipment	(90,418)	(141,380)
Purchases of investments	(35,991,454)	(2,468,824)
Proceeds from sales of investments	35,674,279	1,956,495
Net cash used in investing activities	(407,593)	(653,709)
<b>Financing Activities</b>		
Proceeds from contributions restricted for long-term investment	211,125	1,176,003
Net cash provided by financing activities	211,125	1,176,003
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	590,033	(30,793)
<b>Cash and Cash Equivalents, Beginning of Year</b>	630,713	661,506
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,220,746	\$ 630,713
<b>Supplemental Cash Flows Information</b>		
Receivable from King Street Capital L.P.	\$ 80,272	\$ 937,881

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### 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, 2020 and 2019, cash equivalents consisted of money market accounts with brokers.

At June 30, 2020, the Foundation's cash accounts exceeded federally insured limits by approximately \$992,000.

#### ***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, 2020 and 2019

Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents.

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 net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions 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.

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 acquisitions over \$500 are capitalized and 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

### **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.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

### 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:

Nature of the Gift	Value Recognized
<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
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.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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.

### ***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 or 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.

### ***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 statements 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 \$0 and \$76,946 as of June 30, 2020 and 2019, 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. Net investment return in excess of amounts designated for current operations, nonoperating expenses, contributions for long-term investment and depreciation expense, as well as net assets released from restrictions for property and equipment acquisitions, are excluded from the measure of operations.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### **Paycheck Protection Program (PPP) Loan**

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. On May 3, 2020, the Foundation received a loan in the amount of \$441,500 pursuant to the Paycheck Protection Program (PPP) and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

During the year ended June 30, 2020, the Foundation recognized approximately \$232,000 of the proceeds as a contribution without donor restrictions since the Foundation utilized the proceeds for eligible expenditures stipulated under the PPP loan program and met the conditions in accordance with the loan forgiveness criteria. The Foundation expects to recognize the remaining amount of the contribution during the year ended June 30, 2021 once the conditions are met by incurring eligible expenditures.

Subsequent to year-end on February 24, 2021, the Foundation received a second loan in the amount of \$441,500 pursuant to the PPP. The Foundation has elected to account for the funding as a conditional contribution in the same manner as the initial funding received under the PPP.

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

#### **ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made**

On July 1, 2019, the American-Scandinavian Foundation adopted Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which 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 required 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.

As a result of adopting ASU 2018-08, there was no change in timing of recognition of grants and contributions and had no impact on beginning net assets for the year ended June 30, 2020.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### 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

### Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements 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, 2020 and 2019:

	<b>2020</b>		
	<b>Total (A)</b>	<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Investments Measured at NAV (A)</b>
Money Market Funds	\$ 27,975	\$ 27,975	\$ -
Vanguard Money Market Funds			
Total Return Fund	284,969	284,969	-
Federal Money Market Fund	8,892,440	8,892,440	-
Total Bond Market Index Fund	2,409,097	2,409,097	-
International Value Fund	1,597,300	1,597,300	-
Intermediate-Term Investment Grade Fund Admiral Shares	714,240	714,240	-
International Growth Fund Admiral Shares	1,609,178	1,609,178	-
Long-Term Investment-Grade Fund Admiral Shares	613,390	613,390	-
PRIMECAP Fund Admiral Shares	2,422,604	2,422,604	-
Short-Term Investment-Grade Fund Admiral Shares	1,082,995	1,082,995	-
Total International Bond Index Fund Admiral Shares	2,057,082	2,057,082	-
Total International Stock Index Fund Admiral Shares	3,197,999	3,197,999	-
Total Stock Market Index Fund Admiral Shares	4,850,067	4,850,067	-
Windsor Fund Admiral Shares	2,418,950	2,418,950	-
Equity securities			
Energy	716	716	-
King Street Capital L.P.	471,359	-	471,359
	<u>\$ 32,650,361</u>	<u>\$ 32,179,002</u>	<u>\$ 471,359</u>



# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

	2019		
	Total (A)	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Investments Measured at NAV (A)
Money market	\$ 27,027	\$ -	\$ -
Mutual funds – global asset allocation	19,905,502	19,905,502	-
Mutual funds – benchmark-free allocation	9,691,989	9,691,989	-
Mutual funds – total return fund	1,091,519	1,091,519	-
Equity securities			
Financial	90,246	90,246	-
Technology	67,770	67,770	-
Energy	59,117	59,117	-
Communication Services	46,989	46,989	-
King Street Capital L.P.	3,225,664	-	3,225,664
	<u>\$ 34,205,823</u>	<u>\$ 30,953,132</u>	<u>\$ 3,225,664</u>

(A) The money market and investment measured at fair value using NAV per share practical expedient have 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 statements of financial position.

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 statements 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, 2020 and 2019.

### **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, 2020 and 2019, 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, 2020 and 2019 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 statements of financial position.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019:

	Year	Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
King Street Capital L.P.	2020	\$ 471,359	None	Quarterly	65 Days
King Street Capital L.P.	2019	3,225,664	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, 2020 and 2019, the Foundation's partnership ownership percentage was approximately 0.009894 percent and 0.046779 percent, respectively.

During the year ended June 30, 2019, the Foundation requested to redeem its investment in King Street Capital L.P. The redemption is paid out in four consecutive quarterly payments beginning on June 30, 2019. Total amount of the first redemption on June 30, 2019 was \$937,881 and was received by the Foundation in July 2019. As a result, this redemption was presented as a receivable from King Street Capital L.P. as of June 30, 2019. Three more redemptions were paid out in 2020 totaling \$2,714,000. As of June 30, 2020, the Foundation had a receivable of approximately \$80,000 from King Street Capital L.P. and a remaining investment balance of \$471,359. The remaining balance of the investment in King Street Capital L.P. will be redeemed during the Foundation's fiscal year ending June 30, 2021.

### 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 statements of financial position.

During 2020, the Foundation changed investment custodians for a large portion of the investments. As a result, the unrecognized gains and losses at the time the investments were liquidated were recognized and new investment securities were purchased under the new investment custodian using the proceeds from sale of the investments held by the previous custodian. The result of the transaction is reflected within the investing section of the statements of cash flows.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 4: Net Assets

#### *Net Assets with Donor Restrictions*

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Fellowship and grants	\$ 10,183,483	\$ 8,928,709
Scandinavia House operations	430,895	474,636
Scandinavia House special programs	<u>2,373,597</u>	<u>2,895,039</u>
	12,987,975	12,298,384
Endowment investment return subject to endowment spending policy and appropriation		
Fellowship and grants	6,292,958	7,482,850
Endowment not subject to spending policy or appropriation		
Fellowship and grants	<u>8,634,610</u>	<u>8,623,485</u>
	<u>\$ 27,915,543</u>	<u>\$ 28,404,719</u>

During the year ended June 30, 2020, the Foundation recognized contribution revenue of \$1,500,000 relating to an unconditional 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 regranteeing the funds to traditional artists and practitioners. The grant term began November 11, 2019 and goes through June 30, 2023. Funds of \$750,000 were received during the year ended June 30, 2020 related to this grant award and the remaining \$750,000 is recorded in the financial statements as a contribution receivable at June 30, 2020.

The contribution above approximated 45 percent of total contributions received during the year ended June 30, 2020. 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.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### **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>2020</u>	<u>2019</u>
Purpose restrictions		
Fellowship and grants	\$ 575,729	\$ 425,440
Scandinavia House operations	40,794	42,849
Scandinavia House special programs	431,569	582,225
Property and equipment acquisitions	<u>90,414</u>	<u>141,523</u>
	1,138,506	1,192,037
Restricted purpose spending-rate appropriations		
Fellowship and grants	<u>457,711</u>	<u>678,204</u>
	<u>\$ 1,596,217</u>	<u>\$ 1,870,241</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.

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

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment funds, beginning of year	\$ 16,106,335	\$ 16,087,095
Contributions	11,125	12,000
Interest and dividends	581,278	485,631
Realized and unrealized gains (losses)	(1,205,368)	334,405
Investment fees	(108,091)	(134,592)
Appropriation of endowment assets for expenditure	<u>(457,711)</u>	<u>(678,204)</u>
Donor-restricted endowment funds, end of year	<u>\$ 14,927,568</u>	<u>\$ 16,106,335</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.

### ***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 American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019.

# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### 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, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,220,746	\$ 630,713
Investments	32,650,361	34,205,823
Accounts receivable	153,201	242,720
Inventory	113,304	176,257
	<u>34,137,612</u>	<u>35,255,513</u>
Donor-imposed restrictions		
Donor restricted funds	12,987,975	12,298,384
Endowments	14,927,568	16,106,335
	<u>27,915,543</u>	<u>28,404,719</u>
Net financial assets after donor-imposed restrictions	6,222,069	6,850,794
Internal designations		
Board-advised funds	5,204,668	5,738,832
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,017,401</u>	<u>\$ 1,111,962</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, 2020 and 2019

### Note 7: Property and Equipment

Property and equipment at June 30, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Land	\$ 5,000,000	\$ 5,000,000
Building	16,755,540	16,755,540
Building improvements	655,178	602,042
Furniture and equipment	<u>2,184,534</u>	<u>2,147,252</u>
	24,595,252	24,504,834
Less accumulated depreciation	<u>(10,785,732)</u>	<u>(10,255,170)</u>
	<u>\$ 13,809,520</u>	<u>\$ 14,249,664</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: Contribution Receivable

Expected collections of contribution receivable as of June 30, 2020, are:

<u>Years Ending June 30,</u>	<u>With Donor Restrictions</u>
2020	\$ 400,000
2021	<u>350,000</u>
Total	<u>\$ 750,000</u>

### Note 9: 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, 2020 and 2019 and totaled approximately \$71,000 and \$64,000, respectively.



# The American-Scandinavian Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 10: Economic Conditions

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, the state of New York issued orders and other measures around public gatherings and business operations to slow the spread of the virus. As a result of this guidance, the Foundation curtailed some its operations, including the temporary closing of the restaurant and gift shop, cancellation of the annual gala, and the inability of the Foundation to host its own program events or rent out the use of the building to outside parties. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The economic conditions as a result of a novel strain of coronavirus (COVID-19) continues to present certain difficult circumstances and challenges, which in some cases have resulted in declines in the fair value of investments and other assets, and could result in declines in contributions, constraints on liquidity and difficulties obtaining financing. Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for receivables that could negatively impact the Foundation. The related financial impact and duration cannot be reasonably estimated at this time and the financial statements have been prepared using values and information currently available to the Foundation.

### Note 11: Subsequent Event

Subsequent events have been evaluated through May 10, 2021, which is the date the financial statements were available to be issued.

### Note 12: 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.

The new revenue recognition standard was initially effective for the Foundation's year ending June 30, 2020, however, the Foundation elected to take advantage of this deferral and the standard will be effective for the year ending June 30, 2021. The Foundation is in the process of evaluating the impact the new revenue recognition standard will have on the financial statements.