

**VESTERHEIM
NORWEGIAN-AMERICAN MUSEUM**

FINANCIAL REPORT

DECEMBER 31, 2020 and 2019



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Vesterheim Norwegian-American Museum
Decorah, Iowa

We have audited the accompanying financial statements of Vesterheim Norwegian-American Museum, which comprise the statements of financial position as of December 31, 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.

Auditors' 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 auditors' 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.

Board of Trustees
Vesterheim Norwegian-American Museum

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vesterheim Norwegian-American Museum as of December 31, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
August 23, 2021

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS		
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 237,536	\$ 474,583
Accounts receivable	63,280	16,503
Promises to give	117,250	253,200
Prepaid expenses	48,090	58,428
Inventories	126,103	125,270
Total current assets	592,259	927,984
NONCURRENT ASSETS		
Promises to give less current portion - net	52,820	241,688
Property and equipment - net	3,759,356	2,565,590
Investments	13,148,947	12,428,725
Restricted investments	618,804	652,015
Restricted cash equivalents	1,739,473	2,198,410
Beneficial interest in remainder trusts	88,348	87,724
Cash surrender value of life insurance	72,518	68,572
Collections (Note 10)	-	-
Total noncurrent assets	19,480,266	18,242,724
Total assets	\$ 20,072,525	\$ 19,170,708
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 84,610	\$ 263,732
Accrued expenses	124,055	103,191
Deferred revenue	143,554	177,418
Line of credit	863,800	125,050
Margin loan	352,715	352,049
Total current liabilities	1,568,734	1,021,440
NET ASSETS		
Without donor restrictions	5,162,383	4,688,759
With donor restrictions	13,341,408	13,460,509
Total net assets	18,503,791	18,149,268
Total liabilities and net assets	\$ 20,072,525	\$ 19,170,708

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 832,305	\$ 883,573	\$ 1,715,878
Change in value of beneficial interest in remainder trusts	624	-	624
Events	15,135	-	15,135
Admission, membership and publication fees	218,270	-	218,270
Tour and tuition fees	34,115	-	34,115
Sales of merchandise	200,428	-	200,428
Miscellaneous	11,631	-	11,631
Rental income	6,802	-	6,802
Investment return, net	164,780	987,059	1,151,839
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,468,870	(1,468,870)	-
Satisfaction of time restrictions	520,863	(520,863)	-
	<u>3,473,823</u>	<u>(119,101)</u>	<u>3,354,722</u>
EXPENSES			
Program services:			
Collections care	406,099	-	406,099
Education	371,004	-	371,004
Museum Store	354,629	-	354,629
Supporting activities:			
Management and general	940,314	-	940,314
Fundraising	928,139	-	928,139
	<u>3,000,185</u>	<u>-</u>	<u>3,000,185</u>
Change in net assets before changes related to collection items not capitalized	473,638	(119,101)	354,537
CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED			
Collection items purchased	(14)	-	(14)
	<u>473,624</u>	<u>(119,101)</u>	<u>354,523</u>
Net assets - beginning of year	<u>4,688,759</u>	<u>13,460,509</u>	<u>18,149,268</u>
Net assets - end of year	<u>\$ 5,162,383</u>	<u>\$ 13,341,408</u>	<u>\$ 18,503,791</u>

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 475,919	\$ 551,167	\$ 1,027,086
Change in value of beneficial interest in remainder trusts	15,975	-	15,975
Events	47,530	-	47,530
Admission, membership and publication fees	209,917	-	209,917
Tour and tuition fees	534,053	-	534,053
Sales of merchandise	480,354	-	480,354
Miscellaneous	1,829	-	1,829
Rental income	15,255	-	15,255
Investment return, net	603,341	2,346,738	2,950,079
Net assets released from restrictions			
Satisfaction of purpose restrictions	339,734	(339,734)	-
Satisfaction of time restrictions	503,361	(503,361)	-
	<u>3,227,268</u>	<u>2,054,810</u>	<u>5,282,078</u>
EXPENSES			
Program services:			
Collections care	450,691	-	450,691
Education	777,938	-	777,938
Museum Store	482,061	-	482,061
Supporting activities:			
Management and general	611,585	-	611,585
Fundraising	1,082,621	-	1,082,621
	<u>3,404,896</u>	<u>-</u>	<u>3,404,896</u>
Change in net assets before changes related to collection items not capitalized	(177,628)	2,054,810	1,877,182
CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED			
Collection items purchased	(354)	-	(354)
	<u>(177,982)</u>	<u>2,054,810</u>	<u>1,876,828</u>
Net assets - beginning of year	<u>4,866,741</u>	<u>11,405,699</u>	<u>16,272,440</u>
Net assets - end of year	<u>\$ 4,688,759</u>	<u>\$ 13,460,509</u>	<u>\$ 18,149,268</u>

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

2020	Collections Care	Education	Museum Store	Total Program	Management and General	Fundraising	Total
Wages and related expenses	\$ 251,902	\$ 260,440	\$ 138,666	\$ 651,008	\$ 363,167	\$ 363,094	\$ 1,377,269
Exhibits	20,790	-	-	20,790	-	-	20,790
Professional services	7,500	2,165	19,740	29,405	65,204	484,282	578,891
Operating expenses	150	10,336	16,613	27,099	57,043	19,771	103,913
Telephone and fax	985	2,956	3,941	7,882	5,912	5,912	19,706
Postage and freight	308	134	20,313	20,755	18,427	9,946	49,128
Utilities	19,903	11,373	8,530	39,806	17,060	-	56,866
Repairs and maintenance	36,653	4,579	1,096	42,328	54,635	-	96,963
Printing	-	4,178	3,100	7,278	32,237	15,804	55,319
Travel and development	429	132	-	561	917	4,790	6,268
Depreciation	53,890	16,809	16,809	87,508	32,821	-	120,329
Insurance	11,299	11,299	11,299	33,897	17,462	-	51,359
Advertising	-	-	-	-	31,626	-	31,626
Dues and subscriptions	667	140	454	1,261	6,250	515	8,026
Software licensing	-	-	900	900	3,868	14,761	19,529
Events and tours expense	255	1,620	-	1,875	1,004	9,264	12,143
Classes expense	-	44,843	-	44,843	-	-	44,843
Cost of goods sold	-	-	113,168	113,168	-	-	113,168
Rental expense	-	-	-	-	4,352	-	4,352
Curatorial expense	1,368	-	-	1,368	-	-	1,368
Bad debt expense	-	-	-	-	200,000	-	200,000
Interest expense	-	-	-	-	28,329	-	28,329
Total expenses	<u>\$ 406,099</u>	<u>\$ 371,004</u>	<u>\$ 354,629</u>	<u>\$ 1,131,732</u>	<u>\$ 940,314</u>	<u>\$ 928,139</u>	<u>\$ 3,000,185</u>
2019	Collections Care	Education	Museum Store	Total Program	Management and General	Fundraising	Total
Wages and related expenses	\$ 239,818	\$ 271,445	\$ 159,508	\$ 670,771	\$ 272,299	\$ 372,767	\$ 1,315,837
Exhibits	15,025	-	-	15,025	-	-	15,025
Professional services	25,500	6,800	-	32,300	102,307	615,746	750,353
Operating expenses	927	36,720	20,266	57,913	27,928	10,664	96,505
Telephone and fax	544	1,631	2,175	4,350	3,262	3,262	10,874
Postage and freight	-	3,850	4,568	8,418	21,527	5,695	35,640
Utilities	23,002	13,144	9,858	46,004	22,533	-	68,537
Repairs and maintenance	24,410	4,874	99	29,383	26,906	1,713	58,002
Printing	965	9,375	8,868	19,208	28,823	20,950	68,981
Travel and development	1,875	2,425	472	4,772	692	13,539	19,003
Depreciation	68,953	22,525	22,525	114,003	42,347	-	156,350
Insurance	11,904	12,532	11,904	36,340	18,088	-	54,428
Advertising	23,695	20,087	1,555	45,337	7,167	1,322	53,826
Dues and subscriptions	1,037	-	527	1,564	6,148	787	8,499
Software licensing	-	-	2,400	2,400	5,037	13,872	21,309
Events and tours expense	2,439	282,269	-	284,708	3,542	22,304	310,554
Classes expense	-	90,261	-	90,261	-	-	90,261
Cost of goods sold	-	-	237,336	237,336	-	-	237,336
Rental expense	-	-	-	-	4,722	-	4,722
Curatorial expense	10,597	-	-	10,597	-	-	10,597
Interest expense	-	-	-	-	18,257	-	18,257
Total expenses	<u>\$ 450,691</u>	<u>\$ 777,938</u>	<u>\$ 482,061</u>	<u>\$ 1,710,690</u>	<u>\$ 611,585</u>	<u>\$ 1,082,621</u>	<u>\$ 3,404,896</u>

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 354,523	\$ 1,876,828
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Contributions restricted for endowment purposes	(9,110)	(19,932)
Contributions restricted for long-term purposes	(159,700)	(100,000)
Depreciation	120,329	156,351
Bad debt expense - unconditional promise to give	200,000	-
Amortization of discount on promises to give	(14,132)	(14,563)
Realized and unrealized loss (gain) on investments	(953,142)	(2,218,601)
Donated investments		
Cash surrender value - life insurance	(3,945)	(3,826)
Change in beneficial interest in remainder trusts	(624)	15,975
(Increase) decrease in assets:		
Accounts receivable	9,723	12,913
Grant receivable	(56,500)	-
Promises to give	138,950	59,400
Prepaid expenses	10,338	(32,088)
Inventories	(834)	7,220
Increase (decrease) in liabilities:		
Accounts payable	(135,736)	105,081
Accrued expenses	20,864	(959)
Deferred revenue	(33,864)	90,179
Net cash flows provided by (used in) operating activities	<u>(512,860)</u>	<u>(66,022)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		
Property, plant, equipment purchases	(1,357,464)	(128,953)
Transfer to museum	-	(50,000)
Proceeds from sale of investments	1,827,569	1,561,483
Purchases of investments	(1,560,588)	(1,532,940)
Net cash flows used in investing activities	<u>(1,090,483)</u>	<u>(150,410)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from margin loan	68,930	301,934
Payments on margin loan	(69,047)	(301,967)
Line of credit utilization	738,666	125,050
Proceeds from contributions restricted for long-term purposes	159,700	150,000
Proceeds from contributions restricted for endowment	9,110	19,932
Net cash flows provided by financing activities	<u>907,359</u>	<u>294,949</u>
Net increase (decrease) in cash and cash equivalents	(695,984)	78,517
Cash and cash equivalents - beginning of period	2,672,993	2,594,476
Cash and cash equivalents - end of period	<u>\$ 1,977,009</u>	<u>\$ 2,672,993</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 18,382</u>	<u>\$ 18,257</u>
Accrued property plant equipment payables	<u>\$ -</u>	<u>\$ 43,368</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 237,536	\$ 474,583
Restricted cash equivalents	1,739,473	2,198,410
Total cash and cash equivalents	<u>\$ 1,977,009</u>	<u>\$ 2,672,993</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of Vesterheim Norwegian-American Museum, (Vesterheim) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements.

a. Nature of Activities

Vesterheim is a nonprofit organization, which provides for the study, preservation and sharing of Norwegian-American history. The Decorah site serves the local community as well as individuals and organizations throughout North America and the Scandinavian countries of Western Europe.

Vesterheim is a national treasure that explores the diversity of American immigration through the lens of Norwegian-American experience, showcases the best in historic and contemporary Norwegian folk and fine arts, and preserves living traditions through classes in Norwegian culture and folk art, including rosemaling (decorative painting), woodworking, knife making, traditional food ways and textile arts. For complete schedules of events, exhibitions, classes, and more information about ways to donate, check out Vesterheim online at vesterheim.org.

b. Basis of Presentation

Vesterheim is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are composed of all resources not included in the net assets with donor restrictions category. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment. Included are expendable resources used to support Vesterheim's core activities. All expenses are recorded as a reduction to net assets without donor restrictions.

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period, upon the occurrence of a stated event as specified by the donor, or those that may never be spent by Vesterheim, including gifts of endowment, as well as the earnings on those assets when restricted by the donor. Donor-restricted resources intended for capital projects are released and reclassified as without donor restrictions support when spent. Also included in this category are contributions receivable that are permanently restricted upon redemption or maturity.

c. Cash and Cash Equivalents

For purposes of reporting on the statements of cash flows, Vesterheim includes all cash and money market accounts available for current operations as cash and cash equivalents. Cash equivalents classified as noncurrent represents funds restricted for specific purposes that are reported as cash flows from investing activities.

d. Receivables

Vesterheim considers all receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)e. Promises to Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value. Promises to give receivable in one year or more are discounted to the present value of their net realizable value, using risk-free interest rates applicable to the year in which the promises are to be received.

Amortization of the discounts is recognized as support. Vesterheim considers all promises to give to be fully collectible and accordingly, no allowance for doubtful accounts is made. If promises to give become uncollectible, they will be charged to operations when that determination is made.

Vesterheim has been named as a beneficiary in various individual donor's wills and revocable trusts. The donor has a right to redirect the use of the transferred assets to another beneficiary and the value of the intended gifts has not been established; therefore, the gifts have not been recognized as an asset or contribution revenue.

f. Inventories

Inventories are stated at the lower of cost or net realizable value, using the weighted average method. Inventories consist primarily of Norwegian-related books, crafts and other items for resale.

g. Investments

Vesterheim carries investments at their fair values in the statements of financial position. Cash and money markets are reported at cost, which closely approximates fair value. Realized and unrealized gains and losses net of investment expense are included in the change in net assets in the accompanying statements of activities. Vesterheim maintains a master investment account for its donor-restricted endowments and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment account are allocated monthly to the individual fund based on the relationship of the market value of each fund to the total market value of the master investment account, as adjusted for additions to or deductions from those accounts. Vesterheim has a separate investment account for its board-designated cash reserve and donor-restricted investment.

Vesterheim adopted an Asset Management Policy in October 2015, which includes an asset allocation policy, cash management policy and endowment policy. According to the policy, the board-designated cash reserve is invested in quality fixed assets of average 2-year maturities with an average total return objective of the consumer price index change plus one percent. The earnings of the board-designated cash reserve are reinvested. The purpose of the board-designated cash reserve account is to provide funds to prevent disruption in operating cash flows. See Note 15 for details on the endowment policy.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)h. Property and Equipment

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the statements of activities as net assets released from restrictions. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Vesterheim's Board of Trustees established a \$15,000 threshold amount for capitalization.

i. Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. A review of such assets of Vesterheim has not indicated any material effect on the Vesterheim's financial position or results of operations.

j. Beneficial Interest in Trusts

Beneficial interest in trusts consists of assets held in charitable remainder trusts, beneficial interests in charitable remainder trusts and life estates. Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, Vesterheim receives the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded at the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Not all of the information is available regarding the types of underlying assets that are held by the trustee. Changes in net assets of the trusts are recorded as gains or losses (change in value of beneficial interest in remainder trusts) in the statements of activities.

k. Support and Revenue Recognition

Vesterheim recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. At the time the restrictions expire (that is, when a 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.

Revenue for events, tours and class tuition is not recognized until the event/tour/class (Event) has taken place. Deposits that are received prior to the Event occurring are held in a liability/deferred revenue account. Once the Event is held, the appropriate funds are transferred from the liability account to the revenue account.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)k. Support and Revenue Recognition (Continued)

Matching revenue received subsequent to the issuance of ASU-2018-08, will be recognized following the new guidance. Revenue is recognized when Vesterheim has incurred expenditures in accordance with specified requirements. Such amounts earned, but not received, are reported as receivables. Such amounts received, but not earned, are reported as deferred revenue. Museum memberships renew annually throughout the year. The portion of membership revenue not earned in the current fiscal year is recorded in deferred income and presented in the liability section of the Statement of Financial Position. In 2020, membership revenue totaled \$188,552, of which \$21,627 was contribution revenue and \$166,925 was exchange transactions, with \$84,269 in revenue deferred to 2021. In 2019, membership revenue totaled \$194,668, of which \$20,255 was contribution revenue and \$174,413 was exchange transactions, with \$86,546 in revenue deferred and recognized in 2020.

l. Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Accordingly, certain costs have been allocated among the program services and support activities benefited. Expenses are allocated to program and supporting services on the following bases: 1) wages and related expenses are allocated on the basis of estimated time spent in area, 2) telephone, insurance, and utilities are allocated based on estimated usage, and 3) depreciation is allocated on the basis of estimated building and equipment usage.

The following program services are included in the accompanying financial statements:

Collections Care – Vesterheim houses a collection of over 33,000 artifacts, a complex of sixteen buildings and a farmstead. Staff provides care and upkeep as well as acquire new artifacts.

Education – Vesterheim offers education classes on various Norwegian traditions and offers educational guided tours of Norway to its members and the public.

Museum Store – Vesterheim has Norwegian-related books, crafts and other items for resale to its members and the public.

m. Income Tax Status

Vesterheim is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Vesterheim qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Vesterheim's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

n. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. Change in Accounting Principle

Financial Accounting Standard Board (FASB) issue Accounting Standards Update (ASU) 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

o. Change in Accounting Principle (Continued)

Requirements for Fair Value Measurement. The ASU removes and modifies disclosure requirements retrospectively for non-public entities. The ASU is effective for fiscal years beginning after December 15, 2019 and has been adopted by management.

p. Advertising

Vesterheim uses advertising to promote its programs and products for the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2020 and 2019, advertising costs totaled \$31,626 and \$53,826, respectively. Due to the COVID-19 pandemic in 2020, many programs were cancelled and therefore, advertising expenses decreased from the prior year.

q. Revenue Recognition

In 2020 Vesterheim received a loan from Decorah Bank & Trust in the amount of \$237,657 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (PPP loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted by the SBA to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts are subject to forgiveness based on compliance with program requirements and approval by the SBA. The covered period from April 10, 2020 to June 4, 2020, is the time that the business had to spend their PPP Loan funds. On November 24, 2020, the SBA processed the Organization's PPP Loan forgiveness application and notified Decorah Bank & Trust the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on December 4, 2020.

Vesterheim recorded this as a note payable when the loan proceeds were received in April. Once the PPP loan was forgiven, the note payable was eliminated and unrestricted grant revenue was recorded. Vesterheim used the total loan for payroll expenses.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

2. Liquidity and Availability

Financial assets for general expenditure, that is, without donor, board, or other restrictions limiting their use, within one year of the balance sheet date, are comprised of Cash and Cash Equivalents and Accounts Receivable of \$300,704 and \$491,086 for the years ended December 31, 2020 and 2019, respectively as shown below:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 237,424	\$ 474,583
Account receivable	63,280	16,503
Total	<u>\$ 300,704</u>	<u>\$ 491,086</u>

NOTES TO FINANCIAL STATEMENTS

2. Liquidity and Availability (Continued)

Vesterheim's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Vesterheim's board-designated endowment of \$2,294,463 is subject to an annual spending rate of 5% as described in Note 15. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's spending policy), these amounts could be made available if necessary.

As part of the liquidity policy, cash in excess of daily requirements are invested in a cash reserve fund. Financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. Vesterheim also has a line of credit available see Note 11.

3. Grants

On October 17, 2016, Vesterheim was awarded a \$300,000 grant from the Margaret A. Cargill Foundation. The grant is for the period of November 1, 2016 through October 31, 2019. This grant was amended on February 27, 2019 increasing the award amount to \$405,000. This grant period was also extended through October 31, 2020. Vesterheim received \$150,000 in 2016, \$105,000 in 2018, and \$150,000 in 2019. The grant was in support of the "Expanding Vesterheim's Folk Art Horizons" project. The grant funds were completely spent by October 31, 2020.

On December 5, 2018, Vesterheim was awarded another grant from the Margaret A. Cargill Foundation for \$2,000,000, plus up to \$500,000 payable in matching funds. The grant is for the period of January 1, 2019 through December 31, 2021. Vesterheim received \$2,000,000 in December 2018. Donations of \$100,000 were received in 2019, which was submitted for the matching funds from the foundation. These matching funds were received and recognized in 2019. Matching funds received in 2020 totaled \$200,000. The purpose of the project is to build upon and create public spaces by developing the Open-Air Division and the Cary building. Other grants received in 2020 related to these projects include the Iowa Department of Agriculture Water Quality Initiative and the Humanities Iowa grants. The Iowa Department of Agriculture awarded Vesterheim \$100,000 of which expenses of \$56,500 were submitted for reimbursement in 2020 (funds were not received as of 12/31/20), with a remaining \$43,500 to be reimbursed in 2021. The Humanities Iowa grant was a matching grant of \$7,812 providing reimbursement of expenses for signage in the open-air division (Heritage Park). These matching funds were received and recognized in 2020. Vesterheim also received a \$5,000 grant from Winneshiek County Community Foundation received and recognized in April 2020.

On June 3, 2020, the Margaret A. Cargill Foundation awarded Vesterheim a \$800,000 grant. This grant is for a 3-year period from July 1, 2020 through June 30, 2023. Vesterheim received the first installment of these grant funds of \$425,000 in June 2020. Vesterheim is scheduled to receive \$260,000 in 2021 (year 2) and \$115,000 in 2022 (year 3) upon approval of interim progress and financial reports.

Vesterheim was the recipient of several grants due to the COVID-19 pandemic of 2020. Grants received were as follows:

- U.S. Regional Arts Resilience Fund – awarded \$50,000 in August 2020, received and recognized the revenue in September 2020. This grant period ends June 30, 2021.
- Iowa Arts Council Emergency Grant – awarded \$18,000, received and recognized in June 2020, with final report and expenditures for the period ending December 31, 2020.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

3. Grants (Continued)

- Silos & Smokestacks, COVID Resilience – awarded \$2,500, funds received and recognized in July 2020, with expenditures completed by August 31, 2020.

Vesterheim received and recognized \$13,860 from the American Scandinavian Foundation in January 2020. Additional grants received by Vesterheim included a grant from the Iowa Department of Cultural Affairs (CLP) in the amount of \$20,000 for use in general operations, received and recognized the revenue in August 2020. An Iowa Tourism grant was awarded in 2019 in the amount of \$3,000. This grant reimbursed marketing expenses incurred in 2020, with the funds being received in August 2020.

4. Promises to Give

Promises to give as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Amounts receivable in:		
Less than one year	\$ 117,250	\$ 253,200
One to five years	61,000	264,000
More than five years	None	None
	178,250	517,200
Promises to give	178,250	517,200
Less discounts to net present value	8,180	22,312
	\$ 170,070	\$ 494,888
Promises to give, net	\$ 170,070	\$ 494,888

Promises to give as of December 31, 2020 and 2019 consist of promises for the following purposes:

	2020	2019
Annual fund	\$ 32,150	\$ 105,700
Special projects	500	26,500
Campaign projects	125,600	355,000
Endowment	20,000	30,000
	\$ 178,250	\$ 517,200
Promises to give	\$ 178,250	\$ 517,200

Promises receivable in more than one year were discounted at 5.0% in 2020 and 5.28% in 2019.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment

Property and equipment as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Land	\$ 432,952	\$ 432,952
Building and improvements	5,088,457	5,088,457
Outdoor exhibits	1,732,703	418,609
Furniture and equipment	572,953	572,953
	<hr/>	<hr/>
Property and equipment	7,827,065	6,512,971
Less accumulated depreciation	4,067,709	3,947,381
	<hr/>	<hr/>
Property and equipment, net	\$ 3,759,356	\$ 2,565,590

Depreciation expense for the years ended December 31, 2020 and 2019 was \$120,330 and \$156,350, respectively. For the years ended December 31, 2020 and 2019, property and equipment included non-depreciable items of \$595,201.

6. Investments

Investments as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Cash and money market funds	\$ 58,280	\$ 188,741
Accrued interest	8,208	9,043
Common stocks	9,762,214	9,168,505
Government securities	0	0
Corporate bonds	47,750	151,006
Bond mutual funds - restricted	618,804	652,015
Bond mutual funds	783,375	783,395
Mutual funds	2,489,120	2,128,035
	<hr/>	<hr/>
Investments	\$ 13,767,751	\$ 13,080,740

Investment return for the years ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Interest and dividends	\$ 253,201	\$ 333,919
Investment expense	(54,504)	(57,955)
Net realized and unrealized gain	953,142	2,674,115
	<hr/>	<hr/>
Investment return	\$ 1,151,839	\$ 2,950,079

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

7. Restricted Assets

Vesterheim maintains a separate cash account for major maintenance and other special projects in accordance with the donor's stipulations. The interest on the account is also restricted. As of December 31, 2020 and 2019, Vesterheim has unspent donations that are restricted for various projects as shown below.

	2020	2019
Pledges yet to be received	\$ 178,250	\$ 517,200
Held in separate cash accounts in accordance with donor restrictions	1,739,473	2,198,410
Other cash and investment accounts	1,561,224	1,183,305
Total restricted assets	\$ 3,478,947	\$ 3,898,915

8. Cash Surrender Value

Vesterheim is the beneficiary of life insurance policies with a composite death benefit at December 31, 2020 and 2019 of approximately \$115,680 and \$115,680, respectively. The cash value of the life insurance policies was \$72,518 and \$68,572 as of December 31, 2020 and 2019, respectively.

9. Beneficial Interest in Remainder Trusts

Vesterheim has been notified that it is the beneficiary in several remainder trusts. The donor with specific requirements, which for several include annual payments to the donor, has set up each trust. At the time of the death of a donor, the remaining assets held by the trust or a percentage of those assets will be distributed to Vesterheim as determined by the trust agreement. The portion of these trusts expected to be received by Vesterheim as of December 31, 2020 and 2019 is \$88,348 and \$87,724, respectively. The estimates were based on the donors' life expectancies, the use of 3.54% (2020), 5.28% (2019) discount rate and a growth rate of 2%. The amount was recorded in the statements of financial position as beneficial interest in remainder trusts and the change in the value of beneficial interest in remainder trusts is included in the statements of activities.

10. Collections

In conformity with the practice followed by many museums, artifacts purchased and donated are not included in the statements of financial position. Vesterheim does not capitalize its collections; the values of the objects acquired by gift are not recognized in the statements of activities. During the years ended December 31, 2020 and 2019, purchases of artifacts amounted to \$14 and \$354, respectively.

Vesterheim's collections are on display and used by researchers, historians and others who are interested in studying the Norwegian and Norwegian-American culture. Vesterheim employs curators to ensure the collections are protected and preserved. In the normal course, collection items are not to be sold but rather maintained in perpetuity. However, should Vesterheim's Board deem it appropriate to dispose of an item, any proceeds from the disposal will be used to purchase new items for the collection. The proceeds are accounted for in the board-designated collections fund. There were no proceeds from the sale of collection items in 2020 or 2019.

11. Line of Credit

Vesterheim has revolving lines of credit with Decorah Bank and Trust Company. The lines of credit include \$300,000 for operations and \$1,050,000 for the implementation of the Master Plan, (campaign and capital expenses).

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

11. Line of Credit (Continued)

As of December 31, 2020 and 2019, the operating line of credit had an outstanding balance of \$0 and \$125,050 respectively. The operating line of credit carried an interest rate of 4.75% in 2020 and 5.0% in 2019. The line of credit matured in September 2020 and was renewed with an interest rate of 4.0% and a new maturity date of September 2021. Vesterheim had interest expense attributable to the operating line of credit for the years ended December 31, 2020 and 2019 of \$2,136 and \$1,944 respectively.

The Master Plan line of credit had \$863,800 balance as of December 31, 2020. The line of credit was issued on July 21, 2020 with an interest rate of 4.0%, and a maturity date of September 1, 2021. Interest paid on this line of credit in 2020 was \$16,245.

These lines of credit are secured by Vesterheim's receivables, inventory, equipment and documents of title.

Vesterheim also has a line of credit with Edward Jones, which has a limit of \$21,634 with an interest rate of 6.0%. As of December 31, 2020 and 2019, there was no outstanding balance.

12. Margin Loan

Vesterheim secured financing for the purchase of the Cary property from Charles Schwab in the form of a margin loan in April 2015. The margin loan agreement is secured by the master investment account and the board-designated cash reserve investment account. Vesterheim can utilize the facility for business purposes as long as the amount borrowed is less than 50% of the secured collateral. As of December 31, 2020, the amount available was calculated at \$1,550,000. The balance on the margin loan at December 31, 2020 and 2019 was \$352,715 and \$352,049, respectively. The interest rate, charged monthly on the average daily balance of actual amount borrowed is 225 basis points over the federal funds rate. The margin loan interest rate at December 31, 2020 and 2019 was 2.68% and 4.63%, respectively. Interest expense for the margin loan was \$9,947 and \$16,313 for the years ended December 31, 2020 and 2019, respectively.

13. Restrictions on Net Assets

The Board of Trustees of Vesterheim has designated net assets without donor restrictions for the following purposes:

	2020	2019
Board-designated endowment funds	\$ 2,294,463	\$ 2,094,363
Board-designated cash reserve funds	708,576	706,531
Board-designated collections funds	29,365	29,365
Undesignated	2,129,979	1,858,500
Net assets without donor restrictions	\$ 5,162,383	\$ 4,688,759

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

13. Restrictions on Net Assets (Continued)

Net assets with donor restrictions restricted for the following purposes or periods as of December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Collections	\$ 117,639	\$ 164,896
Capital projects	2,613	14,262
Exhibits	129,826	138,320
Education	1,266,534	925,305
Administration	21,538	36,680
Campaign	1,690,546	2,583,746
Publications	13,105	46,298
	\$ 3,241,801	\$ 3,909,507

Not subject to spending policy or appropriation:

Beneficial interest in perpetual trust	None	None
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Subject to Vesterheim's endowment spending policy and appropriation:

Collection	\$ 922,281	\$ 871,339
Education	4,165,236	3,823,587
Underwater endowment funds	0	0
General use	5,012,090	4,856,076
	10,099,607	9,551,002

Net assets with donor restrictions	\$ 13,341,408	\$ 13,460,509
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14. Community Foundation

In April 2017, Vesterheim contributed \$10,000 to the Community Foundation of Northeast Iowa (Foundation) in order to establish a permanent designated agency endowment fund. This fund is administered by the Foundation for the benefit of Vesterheim. Control over the investment or reinvestment of this fund is exercised exclusively by the Foundation.

In December 2017, a separate donor gave \$10,000 to Vesterheim's permanent designated agency endowment fund at the Foundation. The donor selected Vesterheim as its specific nonprofit institution as the recipient and grants are made to it annually as long as Vesterheim remains in existence and continues to fulfill its intended purpose.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

14. Community Foundation (Continued)

The balance of the endowment fund at the Foundation was \$25,265 as of December 31, 2020. Vesterheim received disbursements from this fund of \$0 in 2020 and \$527 in 2019.

	<u>2020</u>	<u>2019</u>
Balance January 1	\$ 22,803	\$ 19,971
Additions		
Gains/Losses	2,377	3245
Interest/Dividends	333	361
Total Additions	2,710	3,606
Withdrawals		
Administrative fees	220	218
Grant payments	0	527
Investment fees	28	29
Total Withdrawals	248	774
Ending Balance	\$ 25,265	\$ 22,803

NOTES TO FINANCIAL STATEMENTS

15. Endowments

Vesterheim’s endowment consists of thirty-four individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, Vesterheim retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by Vesterheim in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Vesterheim considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Vesterheim, and (7) Vesterheim’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies

In October 2015, Vesterheim adopted the Asset Management Policy that includes the investment and spending policies for the endowment assets that are designed to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The endowment is invested to achieve net total average five-year real rate of return of 6% plus average consumer price index change.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to a level of risk that is not acceptable to the Board of Trustees. In order to meet the above investment objectives, Vesterheim adopted a new target mix, 6% plus inflation, for the endowment that should approximate 95% equity assets and 5% fixed income assets.

Spending Policy

As per the new spending policy approved at the April 2017 board meeting, the endowment started distributing 1.25% each quarter of a 12-quarter moving average of the total market value of the endowment, an annual rate of 5%.

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 are as follows:

	2020	2019
Endowment funds with donor restrictions	\$ 10,099,607	\$ 9,590,730
Board-designated endowment without donor restrictions	2,294,463	2,168,402
	<u>\$ 12,394,070</u>	<u>\$ 11,759,132</u>

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

15. Endowments (Continued)

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

2020	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,168,402	\$ 9,590,730	\$ 11,759,132
Contributions	None	65	65
Change in beneficial interest in remainder trusts	None	None	None
Investment return, net	220,177	935,568	1,155,745
Amounts appropriated for expenditure	(94,116)	(426,756)	(520,872)
Endowment net assets, end of year	\$ 2,294,463	\$ 10,099,607	\$ 12,394,070
2019	Without Donor Restrictions	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 1,654,377	\$ 7,587,512	\$ 9,241,889
Contributions	92,006	89,698	181,704
Change in beneficial interest in remainder trusts	None	None	None
Investment return, net	512,772	2,323,524	2,836,296
Amounts appropriated for expenditure	(90,753)	(410,004)	(500,757)
Endowment net assets, end of year	\$ 2,168,402	\$ 9,590,730	\$ 11,759,132

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Vesterheim to retain as a fund of perpetual duration (underwater endowments). There were no deficiencies as of December 31, 2020.

16. Lease Obligations

Vesterheim enters into various operating lease arrangements for office equipment. Vesterheim has a lease arrangement for copiers/printers for the period of October 2017 through October 2022 at \$730 per month and a lease for a postage machine which was renewed in October 2020 through December 2025 at \$142 per month. Vesterheim also engages in short-term leases as needed. Lease expense for the years ended December 31, 2020 and 2019 were \$10,830 and \$10,101 respectively.

Future minimum lease payments for the years ending December 31, 2021, 2022, and 2023 are \$10,463, \$9,003, and \$1,703 respectively.

NOTES TO FINANCIAL STATEMENTS

17. Concentration of Credit Risk and Contribution Revenue

Vesterheim maintains its cash balances in several financial institutions located in Iowa. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. As of December 31, 2020 and 2019, Vesterheim's uninsured cash balances totaled \$1,983,259 and \$2,276,622, respectively.

Uninsured Cash Accounts

	DB&T balances as of 12/31/2020	
	<u>2020</u>	<u>2019</u>
Operating	\$ 599,068	\$ 432,978
Travel A/C	698	698
DB&T TR	425,107	491
Cargill	1,208,386	2,092,455
FDIC Limit	(250,000)	(250,000)
Uninsured limit per FDIC	<u>\$ 1,983,259</u>	<u>\$ 2,276,622</u>

For the year ended December 31, 2020, approximately 34% or \$625,000 of contribution revenue came from the Margaret A. Cargill Philanthropies compared to approximately 5% or \$105,000 in 2019. Also for the year, 6% or \$106,400 of Vesterheim's contribution revenue came from trustees compared to 25% or \$255,179 in 2019. As of December 31, 2020, approximately 25% of Vesterheim's promises to give was from one donor who is a member of the Board during the fiscal year. See Note 20.

18. Donated Services

No amounts have been reflected in the financial statements for donated services. Vesterheim generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Vesterheim.

19. Retirement Plan

Vesterheim has adopted a tax shelter annuity retirement plan. Any employee who is at least 21 years of age may contribute to the plan out of pre-tax earnings. For all qualifying employees, Vesterheim will also match the employees' contribution to this plan, up to a maximum of 5% of salary following one year of service and a minimum of 1,000 hours. These contributions totaled \$35,015 and \$31,671 for the years ended December 31, 2020 and 2019, respectively.

20. Related Parties

Included in revenue, gains and other support for the years ended December 31, 2020 and 2019 are cash contributions of \$61,400 and \$165,179, respectively, received from certain officers and trustees of Vesterheim. As of December 31, 2020 and 2019, promises to give includes \$172,000 and \$378,000, respectively, from these individuals. Third party transactions include payment of \$67,033 for services to Erdman Engineering which is owned by a member of the Board of Trustees.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

21. Fair Value Measurements

Fair value of assets measured on a recurring basis as of December 31, 2020 and 2019 are as follows:

2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 9,762,214	\$ 9,762,214	\$ None	\$ None
Corporate bonds	47,750	None	47,750	None
Bond mutual funds	1,402,179	1,402,179	None	None
Equity mutual funds	2,489,120	2,489,120	None	None
Beneficial interest in remainder trusts	88,348	None	None	88,348
	<u>\$ 13,789,611</u>	<u>\$ 13,653,513</u>	<u>\$ 47,750</u>	<u>\$ 88,348</u>

2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 9,168,505	\$ 9,168,505	\$ None	\$ None
Corporate bonds	151,006	None	151,006	None
Bond mutual funds	1,435,410	1,435,410	None	None
Equity mutual funds	2,128,035	2,128,035	None	None
Beneficial interest in remainder trusts	87,724	None	None	87,724
	<u>\$ 12,970,680</u>	<u>\$ 12,731,950</u>	<u>\$ 151,006</u>	<u>\$ 87,724</u>

The following table details Level 3 holdings as of December 31:

Instrument	Fair Value		Principal Valuation Technique Net Asset Value	Unobservable Inputs Value of Underlying Assets
	2020	2019		
Beneficial interest in remainder trusts	<u>\$ 88,348</u>	<u>\$ 87,727</u>		

NOTES TO FINANCIAL STATEMENTS

21. Fair Value Measurements (Continued)

In Level 1, fair values for common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. The mutual funds are determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date. There were no changes in valuation techniques during the year. Fair values for investments in Level 2 are determined based on recent prices of similar assets. Fair values for Level 3 are based upon significant unobservable inputs for the asset or liability.

Government securities and corporate bonds in Level 2 are valued based on broker quotes that are corroborated using observable market data, such as quotes for the identical security in an inactive market or quotes for a similarly rated security in an active market.

Vesterheim's beneficial interest in remainder trusts (Level 3) represents an agreement between donors and Vesterheim so that Vesterheim will receive specified assets at the time of the donors' death. The beneficial interest is not actively traded, and significant other observable inputs are not available. The unobservable inputs are the underlying assets that are held by the trustee. Vesterheim's fair value of the beneficial interest is measured at the proportional share of the underlying assets as report to Vesterheim. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

22. Capital Campaign

Vesterheim started a capital campaign entitled "Strong Roots/Bold Future, The Campaign to Grow Vesterheim." The campaign start date is January 1, 2018 and the end date will be in 2025. On September 4, 2019, Vesterheim entered into an agreement with American City Bureau (ACB) for advice and assistance in conducting a successful capital campaign. The contract consists of two phases, of which Vesterheim agrees to pay ACB \$46,000 for Phase 1, and \$360,000 for Phase 2, plus transportation, lodging, meals and other costs incurred by ACP personnel in relation to the contract. Vesterheim incurred expenses of \$134,439 and \$23,173 in 2020 and 2019 respectively, under this contract.

23. Commitment

In 2018, Vesterheim entered into a contract with Snøhetta for a master planning and vision study for the Vesterheim Museum Campus. The total fee (which excludes any reimbursable expenses and applicable taxes) is \$342,000 and will be billed after each of the three phases are complete. Phase 1 was completed in 2019. A revised contract for concept designs for Phases 2 and 3, contractor selection, and visual identity tasks, was signed in early 2020, with associated fees of \$460,000. Expenses invoiced for the concept design in 2020 were \$416,390.

Vesterheim entered into a contract with BNIM in 2021 for the construction of the "Vesterheim Commons." The amounts committed to for 2021 include \$341,560 for Schematic Design and \$634,650 for detailed Design Development.

24. Subsequent Events

Management has evaluated subsequent events through August 23, 2021, the date on which the financial statements were available to be issued. The suspension of operations due to the COVID-19 global pandemic continued into 2021. The museum and museum store were closed to the public and all in-person folk art classes and events were suspended from the beginning of 2021 until mid-March.

24. Subsequent Events (Continued)

The museum store continued operating, processing on-line and phone orders that are shipped, picked up or delivered locally. The museum and museum store reopened on March 18, 2021 on a reduced schedule, which included shortened daily hours and limited to 5 days per week. All in-person folk art classes and in-person events have remained suspended. The Norwegian tours scheduled for July and August 2021 were cancelled due to travel limitations imposed by the pandemic. On-line classes and events continued to be held in 2021.

Vesterheim applied for the second round of the Payroll Protection Program through the Small Business Administration on January 15, 2021 and received a \$237,657 loan to cover payroll and utilities for up to a 24-week period. Vesterheim will apply for loan forgiveness at the end of this period and will likely qualify for 100% of loan forgiveness.

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