

**VESTERHEIM
NORWEGIAN-AMERICAN MUSEUM**

FINANCIAL REPORT

DECEMBER 31, 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Vesterheim Norwegian-American Museum
Decorah, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Vesterheim Norwegian-American Museum (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vesterheim Norwegian-American Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vesterheim Norwegian-American Museum's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

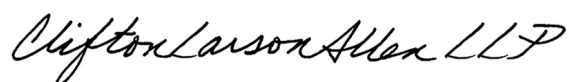
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Vesterheim Norwegian-American Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vesterheim Norwegian-American Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis-of-Matter Regarding Correction of Errors

As described in Note 7 of the financial statements, Vesterheim Norwegian-American Museum corrected an error pertaining to net asset classification as of December 31, 2020. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
September 29, 2022

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS	
	2021
CURRENT ASSETS	
Cash and cash equivalents	\$ 444,300
Accounts receivable	12,614
Promises to give	300,917
Prepaid expenses	48,646
Inventories	99,901
	906,378
NONCURRENT ASSETS	
Promises to give less current portion - net	888,857
Property and equipment - net	5,355,881
Collections (Note 9)	-
Investments	14,841,848
Restricted investments	605,586
Restricted cash equivalents	2,190,228
Beneficial interest in remainder trusts	88,756
Cash surrender value of life insurance	75,738
	24,046,894
Total current assets	906,378
Total noncurrent assets	24,046,894
Total assets	\$ 24,953,272
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 151,069
Accrued expenses	170,411
Deferred revenue	163,817
Line of credit	894,665
	1,379,962
Total current liabilities	1,379,962
NET ASSETS	
Without donor restrictions	4,514,522
Designated by Board	2,747,112
With donor restrictions	16,311,676
	23,573,310
Total net assets	23,573,310
Total liabilities and net assets	\$ 24,953,272

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Restrictions	With Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 883,051	\$ 2,927,911	\$ 3,810,962
Contribution - Gift In Kind	27,838		27,838
Change in value of beneficial interest in remainder trusts	185		185
Events	14,255		14,255
Admission, membership and publication fees	283,542		283,542
Tuition fees	190,441		190,441
Sales of merchandise	433,982		433,982
Miscellaneous	38,566		38,566
Rental income	7,195		7,195
Investment return, net	1,088,585	2,180,969	3,269,554
Net assets released from restrictions			
Satisfaction of purpose restrictions	697,282	(697,282)	-
Satisfaction of time restrictions	524,664	(524,664)	-
	<u>4,189,586</u>	<u>3,886,934</u>	<u>8,076,520</u>
EXPENSES			
Program services:			
Collections care	388,664		388,664
Education	616,634		616,634
Museum Store	503,305		503,305
Supporting activities:			
Management and general	775,731		775,731
Fundraising	718,995		718,995
	<u>3,003,329</u>	<u>-</u>	<u>3,003,329</u>
Change in net assets before changes related to collection items not capitalized	1,186,257	3,886,934	5,073,191
CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED			
Collection items purchased	(3,672)	-	(3,672)
	<u>1,182,585</u>	<u>3,886,934</u>	<u>5,069,519</u>
Net assets - beginning of year (as previously stated)	5,162,383	13,341,408	18,503,791
Prior Period Restatement (Note 7)	916,666	(916,666)	-
Net assets - beginning of year, as restated	<u>6,079,049</u>	<u>12,424,742</u>	<u>18,503,791</u>
Net assets - end of year	<u>\$ 7,261,634</u>	<u>\$ 16,311,676</u>	<u>\$ 23,573,310</u>

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

2021	Collections Care	Education	Museum Store	Total Program	Management and General	Fundraising	Total
Wages and related expenses	\$ 260,727	\$ 348,370	\$ 181,350	\$ 790,447	\$ 385,630	\$ 436,976	\$ 1,613,053
Exhibits	14,036	-	-	14,036	-	-	14,036
Professional services	-	-	-	-	30,341	191,436	221,777
Operating expenses	1,188	36,782	23,776	61,746	55,134	19,775	136,655
Telephone and fax	501	1,505	3,009	5,015	3,009	2,006	10,030
Postage and freight	1,659	884	23,495	26,038	19,610	14,383	60,031
Utilities	23,127	13,215	9,911	46,253	19,823	-	66,076
Repairs and maintenance	21,253	19,661	111	41,025	51,713	100	92,838
Printing	-	3,816	5,368	9,184	38,597	22,472	70,253
Travel and development	159	140	-	299	818	2,550	3,667
Depreciation	49,769	14,333	14,333	78,435	32,415	-	110,850
Insurance	13,494	13,494	13,494	40,482	20,854	-	61,336
Advertising	1,084	4,824	-	5,908	27,715	659	34,282
Dues and subscriptions	716	45	63	824	10,128	760	11,712
Software Licensing	-	-	11	11	3,280	15,269	18,560
Events and tours expense	510	12,785	-	13,295	2,145	12,609	28,049
Classes expense	-	146,780	-	146,780	-	-	146,780
Cost of goods sold	-	-	228,384	228,384	-	-	228,384
Rental expense	-	-	-	-	10,272	-	10,272
Curatorial expense	441	-	-	441	-	-	441
Bad Debt Expense	-	-	-	-	43,500	-	43,500
Interest expense	-	-	-	-	20,747	-	20,747
Total expenses	\$ 388,664	\$ 616,634	\$ 503,305	\$ 1,508,603	\$ 775,731	\$ 718,995	\$ 3,003,329

See Accompanying Notes to the Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 5,069,519
Adjustments to reconcile change in net assets to net cash flows (used in) operating activities:	
Contributions restricted for endowment purposes	(79,685)
Contributions restricted for long-term purposes	(1,627,732)
Depreciation	110,850
Bad debt expense - unconditional promise to give	43,500
Amortization of discount on promises to give	25,904
Realized and unrealized loss (gain) on investments	(3,069,627)
Cash surrender value - life insurance	3,220
Change in beneficial interest in remainder trusts	185
(Increase) decrease in assets:	
Accounts receivable	(5,834)
Grant receivable	56,500
Promises to give	(1,089,109)
Prepaid expenses	(557)
Inventories	26,203
Increase (decrease) in liabilities:	
Accounts payable	66,440
Accrued expenses	46,256
Deferred revenue	20,263
Net cash flows (used in) operating activities	(403,704)
CASH FLOWS FROM INVESTING ACTIVITIES	
Property, plant, equipment purchases	(1,698,876)
Proceeds from sale of investments	7,141,508
Purchases of investments	(5,763,062)
Net cash flows used in investing activities	(320,430)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on margin loan	(356,629)
Line of Credit Utilization	30,865
Proceeds from contributions restricted for long-term purposes	1,627,732
Proceeds from contributions restricted for endowment	79,685
Net cash flows provided by financing activities	1,381,653
Net increase in cash and cash equivalents and restricted cash	657,519
Cash and cash equivalents and restricted cash - beginning of period	1,977,009
Cash and cash equivalents and restricted cash - end of period	\$ 2,634,528
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for interest	\$ 28,329
Accrued Property Plant Equipment Payables	\$ 112,012
Reconciliation of cash and cash equivalents and restricted cash to statement of financial position:	
Cash and cash equivalents and restricted cash - beginning of period	\$ 444,300
Cash and cash equivalents and restricted cash - end of period	2,190,228
Total cash and cash equivalents and restricted cash	\$ 2,634,528

See Accompanying Notes to Financial Statements

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vesterheim Norwegian-American Museum (the Museum or Vesterheim) have been prepared on the accrual basis of accounting following the accounting principles generally accepted in the United States (GAAP).

Nature of Activities

Vesterheim Norwegian-American Museum is a nonprofit organization, which provides for the study, preservation and sharing of Norwegian-American history. The Museum, located in Decorah, Iowa, serves the local community as well as individuals and organizations throughout North America and the Scandinavian countries of Western Europe through in-person and online programming and events.

The Museum 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.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on restrictions. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Net Assets Without Restrictions – Resources over which the board of trustees has discretionary control. Designated amounts represent amounts which the board has set aside for a particular purpose.

Net Assets With Restrictions – Those resources subject to imposed restrictions which will be satisfied by actions of the Museum or passage of time.

Cash and Cash Equivalents

For purposes of reporting on the statements of cash flows, the Museum 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.

Accounts Receivable

The Museum 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.

Promises to Give (Pledges Receivable)

Unconditional promises-to-give are recognized 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 the 3-year average federal reserve T-bill rate. The rate used to calculate the rate for 2021 was 3.52%.

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Pledges Receivable) (Continued)

The Museum recognizes that promises-to-give may not be fully collectible and accordingly, an allowance for doubtful accounts is made. The allowance uses the allowance method, which is based on management judgment considering historical information and specific payer limitations. Based on this evaluation a rate of 6% was used to calculate the allowance. If promises-to-give become uncollectible, they will be charged to operations when that determination is made.

Inventories

Inventories are stated at the lower of cost or net realizable value.

Investments

Investments are stated at fair value based on quoted market prices. Cash and money markets are reported at cost. Realized and unrealized gains and losses net of investment expense are included in the change in net assets. Distribution policies vary with account specifications.

Property and Equipment

All major expenditures for property and equipment that are over \$25,000 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives.

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 the Museum has not indicated any material effect on the Museum's financial position or results of operations.

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, the Museum 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 statement of activities.

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions of revenue are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. They are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions

In-Kind contributions consisted of items donation for an annual fundraising benefit auction. These items were recorded at the value assigned by the donor. Donated items were valued and recorded at \$27,838 in 2021. No services were donated in 2021.

Program Service Fees

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, funds are transferred to revenue. Revenue from store sales is recognized at the time of the sale.

Membership dues, which are non-refundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The exchange portion of membership dues are recognized over the membership period (one year), and the contribution portion immediately. In 2021, membership revenue totaled \$214,277 of which \$26,143 was contribution revenue and \$188,134 was exchange transactions, with \$102,162 in revenue deferred to 2022. In 2020, \$84,269 in membership revenue was deferred and recognized in 2021.

Functional Allocation of Expenses

Expenses of the various programs and other activities are reported by category on the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated based on time, estimated usage, and occupancy percentages. 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 acquires new artifacts.

Education – The Museum 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, apparel, and other items for resale to its members and the public.

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes

The Museum is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. As such, it is subject to federal and state income taxes on net unrelated business income.

The Museum files information returns in the U.S. federal jurisdiction. The Museum follows the accounting standard of evaluating uncertain tax positions and has determined that it was not required to record a liability related to uncertain tax positions.

Advertising

The Museum uses advertising to promote its programs and products for the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs, which primarily include outsourced and internal printing and production expenses, social media advertising, and other print media for the year ending December 31, 2021, were \$34,282.

Revenue Recognition

In 2021 the Museum 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 Museum 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. On August 27, 2021, the SBA processed the Museum's PPP Loan forgiveness application and notified Decorah Bank & Trust the PPP Loan qualified for full forgiveness.

The Museum 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 a contribution without restrictions was recognized. The Museum 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 Museum's financial position.

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2021:

Cash and Cash Equivalents	\$	444,300
Accounts Receivable		12,614
	\$	456,914

As more fully described in Note 10, the Museum also has a committed line of credit in the amount of \$300,000, which it could draw upon in the event of an unanticipated liquidity need for operations.

NOTE 3. PROMISES TO GIVE

Promises to give as of December 31, 2021, consisted of the following:

Amounts receivable in:		
Less than one year	\$	300,917
One to five years		966,441
Promises to give		1,267,358
Less discounts to net present value (3.52%)		34,084
Allowance for Uncollectible Pledges		43,500
Promises to give, net	\$	1,189,774

Promises to give as of December 31, 2021, consist of promises for the following purposes:

Annual fund	\$	16,750
Campaign projects		1,240,608
Endowment		10,000
Promises to give	\$	1,267,358

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. PROPERTY AND EQUIPMENT

The Museum owns the following as of December 31, 2021:

Land	\$	432,952
Buildings and improvements		5,131,052
Outdoor exhibits		311,410
Furniture and equipment		572,953
Heritage Park		1,645,000
Construction in progress		1,441,074
Property and equipment		<u>9,534,441</u>
Less accumulated depreciation		<u>4,178,560</u>
Property and equipment, net	\$	<u><u>5,355,881</u></u>

NOTE 5. INVESTMENTS

Investments as of December 31, 2021, consisted of the following:

Cash and money market funds	\$	684,418
Accrued interest		6,738
Common Stocks		8,865,952
Government Securities		25,962
Bond Mutual Funds		3,596,290
Mutual Funds		<u>2,268,074</u>
	\$	<u><u>15,447,434</u></u>

Investment return for the year ending December 31, 2021, consisted of the following:

Interest and dividends	\$	263,395
Investment Expense		(63,168)
Net realized and unrealized gain		<u>3,069,627</u>
	\$	<u><u>3,269,854</u></u>

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. RESTRICTIONS ON NET ASSETS

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

Board-designated endowment funds	\$ 2,439,879
Board-designated cash reserves	280,161
Board-designated collections funds	27,072
Undesignated	<u>4,514,522</u>
Net Assets without restrictions	<u>\$ 7,261,634</u>

Net Assets with Restrictions consist of amounts for the following programs on December 31:

Collections	\$ 139,623
Capital Projects	2,673,411
Exhibits	132,848
Education	1,361,263
Administration	333,531
Publications	<u>13,105</u>
	<u>\$ 4,653,781</u>

Net assets subject to Vesterheim's endowment spending policy and appropriation:

Collections	\$ 1,459,716
Education	5,369,282
Publications	142,554
General Use	<u>4,686,343</u>
	<u>\$ 11,657,895</u>
Net assets with restrictions	<u>\$ 16,311,676</u>

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. RESTATEMENT OF NET ASSETS

Vesterheim conducted an organization-wide, comprehensive review of its assets and practices to determine if and how we, a small non-profit, ethnic museum in a rural community, are prepared to meet the challenges of a changing environment and economy. As part of this, the Museum performed a review of the pooled investment account, along with appropriate agreements, to determine if reported funds were truly restricted. During the review, it was verified that five of the funds previously defined as restricted were not restricted. These funds were redesignated to “board-designated” funds. This resulted in \$723,613 transferred from restricted funds to board designated funds and \$193,053 released from restrictions. Total net assets were not impacted by this change of classification in net assets.

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets - beginning of year	\$ 5,162,383	\$ 13,341,408	\$ 18,503,791
Prior period restatement	723,613	(723,613)	-
Prior year released from restrictions	193,053	(193,053)	-
Net assets - beginning of year, as restated	6,079,049	12,424,742	18,503,791
Change in net assets	1,182,585	3,886,934	5,069,519
Net assets - end of year	<u>\$ 7,261,634</u>	<u>\$ 16,311,676</u>	<u>\$ 23,573,310</u>

NOTE 8. CASH SURRENDER VALUE

Vesterheim is the beneficiary of life insurance policies with a composite death benefit at December 31, 2021, of approximately \$115,680. The cash value of the life insurance policies was \$75,738 as of the same year-end.

NOTE 9. COLLECTIONS

In conformity with the practice followed by many museums, artifacts purchased and donated are not included in the statement of financial position. The Museum does not capitalize its collections; the values of the objects acquired by gift are not recognized in the statements of activities. During year ended December 31, 2021, purchases of artifacts amounted to \$3,672.

The Museum’s collections are on display and used by researchers, historians and others who are interested in studying the Norwegian and Norwegian-American culture. The Museum 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 the Museum’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. Proceeds from the sale of collection items in 2021 totaled \$2,293.

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 10. LINE OF CREDIT/DEBT

The Museum 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). As of December 31, 2021, the operating line of credit carried no balance. The operating line of credit matured in September 2021 and was renewed with an interest rate of 4.0% and a new maturity date of September 2022. The Museum had interest expense attributable to the operating line of credit for the year ended December 31, 2021, of \$0.

The Master Plan line of credit was issued on July 21, 2020, with an interest rate of 4.5%, and a maturity date of September 1, 2021. This line of credit was renewed with a line of credit of \$1,500,000 through June 30, 2022, and an interest rate of 4%. The balance on this line of credit was \$864,665 as of December 31, 2021. The line Interest paid on this line of credit in 2021 \$20,747. These lines of credit are secured by the Museum's receivables, inventory, equipment, and documents of title.

The Museum also has a line of credit with Edward Jones, which has a limit of \$20,553 with an interest rate of 6.75%. As of December 31, 2021, there was no outstanding balance.

The Museum 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 was secured by the master investment account and the board-designated cash reserve investment account. The Museum paid off this loan in February 2021. Interest expense for the margin loan was \$1,301 for the year ended December 31, 2021.

NOTE 11. LEASE OBLIGATIONS

The Museum enters various operating lease arrangements for office equipment. The Museum 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. The Museum also engages in short-term leases as needed. Lease expense for the year ended December 31, 2021, was \$10,476.

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

NOTE 12. ENDOWMENTS/POOLED INVESTMENT FUND

The Museum's pooled investment fund (Endowment Account) consists of thirty-five individual accounts established for a variety of purposes, pooled together for investment purposes and distribution. The Endowment Account includes both restricted gifts and amounts designated by the Board of Trustees. As required by U.S. generally accepted accounting principles, net assets associated with endowments, including funds designated by the Board of Trustees to function in perpetuity, are classified and reported based on the existence or absence of imposed restrictions.

Absent explicit 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 value of the original gift as of the gift date of the restricted accounts. As a result of this interpretation, the Museum retains in perpetuity and classifies as net assets with restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment, made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the original gift. The remaining portion of the restricted gifts not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 12. ENDOWMENTS/POOLED INVESTMENT FUND (CONTINUED)

In accordance with UPMIFA, and the adopted Spending Plan for the Endowment Account, the Museum considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (1) the purpose of the restricted endowment gifts, (2) general economic conditions, (3) the possible effect of inflation and deflation, (4) the expected total return pooled investments, and (5) other resources of the Museum, and (6) the Museum's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

In October 2015, the Museum 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. To meet the above investment objectives, the Museum adopted a new target mix, 6% plus inflation.

Spending Policy

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

Changes in endowment net assets for the year ended December 31, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year as restated	\$ 3,018,076	\$ 9,375,994	\$ 12,394,070
Contributions	227,835	103,048	330,883
Investment return, net	528,089	2,615,032	3,143,121
Amounts appropriated for expenditure	(1,308,001)	(434,063)	(1,742,064)
Endowment net assets, end of year	<u>\$ 2,465,999</u>	<u>\$ 11,660,011</u>	<u>\$ 14,126,010</u>

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 13. FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of December 31, 2021, is as follows:

2021	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	\$ 8,865,952	\$ 8,865,952	None	None
Government securities	25,962		25,962	
Bond mutual funds	3,596,290	3,596,290	None	None
Equity mutual funds	2,268,074	2,268,074	None	None
Beneficial interest in remainder trusts	88,756	None	None	88,756
	<u>\$ 14,845,034</u>	<u>\$ 14,730,316</u>	<u>\$ 25,962</u>	<u>\$ 88,756</u>

The following table details Level 3 holdings as of December 31, 2021:

	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs Value of Underlying Asset</u>
Beneficial interest in remainder trusts	<u>\$ 88,756</u>	Net Asset Value	

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 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 NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 13. FAIR VALUE MEASUREMENTS (Continued)

The Museum's beneficial interest in remainder trusts (Level 3) represents an agreement between donors and the Museum so that the Museum 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 controlled by the trustee. Not all the information is available regarding the types of underlying assets that are held by the trustee. The Museum's fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to the Museum. 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.

NOTE 14. CONCENTRATIONS

Significant Concentrations of Credit Risk

The Museum requires payment for services before or at the time incurred and does not carry a large balance in accounts receivable. Credit card receivable is the only receivable due to timing of the payment by the credit card companies.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At various times during 2021 and 2020, the Organization held funds at a local financial institution in excess of federally insured limits. Contributions received from the Margaret A. Cargill Philanthropies in 2021 totaled \$860,000, which was 10.6% of the Museum's revenue.

NOTE 15. RETIREMENT PLAN

The Museum maintains a 403(b)-retirement plan for employees. Employees who are at least 21 years of age are allowed to make voluntary contributions out of pre-tax earnings after they begin employment. Vesterheim matches employee contributions to this plan, up to a maximum of 5% of salary following one year of service and a minimum of 1,000 hours and commences on the first of the month. The total expense for the year ended December 31, 2021, were \$43,354.

NOTE 16. COMMITMENTS

Vesterheim began 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, the museum 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 the Museum 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. The Museum incurred expenses of \$180,596 in 2021, under this contract. As of December 31, 2021, five months remain on this contract for a total of \$45,000 in fees.

In 2018, the Museum entered 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 to 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 this contract in 2021 totaled \$187,000. This contract was completed in 2021 with no remaining obligation.

**VESTERHEIM NORWEGIAN-AMERICAN MUSEUM
NOTES TO FINANCIAL STATEMENTS**

NOTE 16. COMMITMENTS (Continued)

The Museum entered a contract with BNIM in 2021 for the construction of the “Vesterheim Commons.” The contract fees of \$1,821,200 cover four phases of the project including Schematic Design, Design Development, Construction Documents and Construction Administration. Expenses invoiced in 2021, included reimbursables, were \$1,254,298. The remaining contract commitment as of December 31, 2021, is \$580,765.

The Museum entered a contract with McGough Construction in December 2021 in the amount of \$8,000,000 for the construction of Vesterheim Commons, with construction to begin in February 2022.

NOTE 17. RELATED PARTIES

Included in revenue, gains and other support for the year ending December 31, 2021, are cash contributions of \$267,196 received from certain officers and trustees of Vesterheim. Promises to give from these individuals totaled \$541,339 in 2021. Third party payments include payment of \$34,908 to Erdman Engineering which is owned by a member of the Board of Trustees.

NOTE 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 29, 2022, the date on which the financial statements were available to be issued. The Cary building was demolished in February 2022 and construction on the new Vesterheim Commons began shortly after. The Museum obtained a mortgage for the construction project in March, 2022 in the amount of \$5,000,000. The capital line of credit was rolled into the mortgage. The mortgage has a fixed interest rate of 3.6% for three years. In May 2022, the Museum signed an extension of the American City Bureau’s contract for another 12 months resulting in \$180,000 of additional contractual commitments.



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