

THE VASA STAR

Vasastjärnan

Publication of THE VASA ORDER OF AMERICA

Special Issue 2022
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Special Issue

Financial Reports

Vasa Order of America Grand Lodge

January 1 – December 31, 2021

Vasa National Archives

January 1 – December 31, 2021



Past Grand Treasurer
2021 Audited Financial Statements
Cover Letter to VOA Members
July 31, 2022

I am pleased to submit these Audited Financial Statements to the Vasa Order of America members as I complete my final term of office.

The Financial condition of the Grand Lodge Vasa Order of America, including the VOA National Archives, is excellent. Our Benefit Fund and Education Fund assets have grown steadily over the past twelve years. Payment of benefits, scholarship, and Swedish language camp awards have been reliable and generous. Investment returns from our portfolios provided a significant portion of the growth. Endowments provided the fundamental corpus for the endowed portfolios.

Major Executive Board financial decisions included the following:

- Entering into independent auditing engagements with American Institute of Certified Public Accountants (AICPA) firms
- Placing investment portfolios under professional investment management
- Approval and implementation of double-entry bookkeeping software
- Adopting improved financial control and monitoring procedures
- Establishment of benefit criteria

I extend my best wishes to newly-elected officers and Executive Board members as the custodians and business managers of the Vasa Order of America and its assets. Always keep in mind your fiduciary responsibility to the members.

In Truth and Unity
Keith Hanlon



VASA ORDER OF AMERICA

A Swedish-American Fraternal Organization

GRAND LODGE

Organized September 18, 1896 - Incorporated March 29, 1899

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Dear Vasa Brothers and Sisters,

The following reports have been prepared by Grand Lodge Treasurer Keith Hanlon for publication in the special financial issue of The Vasa Star. Included are the financial reports for the Grand Lodge as well as the Vasa National Archives. All of the financial matters that the Grand Lodge Executive Board and Grand Treasurer undertake are audited by a third-party independent accounting firm. The auditor's report is also attached for your use and information.

Keith Hanlon has worked tirelessly managing the financial matters for The Vasa Order. His expertise in accounting and financial investments have been exceptional to say the least. Our financial structure is sound and in good order for the future. This year Keith will retire as our Grand Lodge Treasurer. Our Newly elected treasurer Kevin DeFeo is also a highly qualified. Keith has worked very closely with Kevin to assure transfer of this most important executive board position. We thank Keith for his many years of service.

Please review the reports and if you have any questions, please contact me. Our executive Board looks forward to a prosperous year ahead.

In Generosity Truth and Unity

John Hanright
Grand Master



VASA ORDER OF AMERICA THE GRAND LODGE

**AUDITED
FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

VASA ORDER OF AMERICA THE GRAND LODGE

INDEX

DECEMBER 31, 2021

(WITH SUMMARIZED TOTALS FOR 2020)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vasa Order of America the Grand Lodge

Opinion

We have audited the accompanying financial statements of the Vasa Order of America the Grand Lodge ("the Lodge") 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 the Lodge 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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 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 the Lodge's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Organization'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, on our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Lodge's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 22, 2022
Cleveland, Ohio

H + J
Certified Public Accountants

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2021		2020	
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 201,222	\$ -	\$ 201,222	\$ 169,620		
Membership Receivable	14,468	-	14,468	34,610		
Prepaid Expense	2,000	-	2,000	2,000		
	<u>217,690</u>	<u>-</u>	<u>217,690</u>	<u>206,230</u>		
INVESTMENTS	<u>9,175,869</u>	<u>1,380,020</u>	<u>10,555,889</u>	<u>9,652,764</u>		
	<u><u>\$ 9,393,559</u></u>	<u><u>\$ 1,380,020</u></u>	<u><u>\$ 10,773,579</u></u>	<u><u>\$ 9,858,994</u></u>		
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Prepaid Membership Assessment	\$ 14,442	\$ -	\$ 14,442	\$ 15,912		
NET ASSETS						
Without Donor Restrictions:						
Operations	326,553	-	326,553	235,661		
Board-Designated - Scholarship	1,212,412	-	1,212,412	1,192,361		
Board-Designated - OA&B	7,840,152	-	7,840,152	7,134,081		
	<u>9,379,117</u>	<u>-</u>	<u>9,379,117</u>	<u>8,562,103</u>		
With Donor Restrictions	-	1,380,020	1,380,020	1,280,979		
	<u>9,379,117</u>	<u>1,380,020</u>	<u>10,759,137</u>	<u>9,843,082</u>		
	<u><u>\$ 9,393,559</u></u>	<u><u>\$ 1,380,020</u></u>	<u><u>\$ 10,773,579</u></u>	<u><u>\$ 9,858,994</u></u>		

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2021	2020
PUBLIC SUPPORT AND REVENUES				
PUBLIC SUPPORT				
Membership Assessments	\$ 153,183	\$ -	\$ 153,183	\$ 164,031
Donated Services	115,000	-	115,000	115,000
Contributions	1,275	11,540	12,815	9,843
Other Income	4,127	-	4,127	2,622
Recovery from Lawsuit Settlement	105	-	105	248
Interest Income - Operating	5	-	5	242
Net Assets Released from Restrictions	<u>65,915</u>	<u>(65,915)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT & REVENUES	339,610	(54,375)	285,235	291,986
EXPENSES				
Program	237,940	-	237,940	212,582
Management and General	<u>113,363</u>	<u>-</u>	<u>113,363</u>	<u>97,223</u>
TOTAL EXPENSES	<u>351,303</u>	<u>-</u>	<u>351,303</u>	<u>309,805</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(11,693)	(54,375)	(66,068)	(17,819)
NON-OPERATING ACTIVITIES:				
Investment Income	<u>828,707</u>	<u>153,416</u>	<u>982,123</u>	<u>1,114,932</u>
CHANGE IN NET ASSETS	<u>817,014</u>	<u>99,041</u>	<u>916,055</u>	<u>1,097,113</u>
NET ASSETS – Beginning	<u>8,562,103</u>	<u>1,280,979</u>	<u>9,843,082</u>	<u>8,745,969</u>
NET ASSETS – Ending	<u>\$ 9,379,117</u>	<u>\$ 1,380,020</u>	<u>\$ 10,759,137</u>	<u>\$ 9,843,082</u>

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS 2020)

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	2021	2020
EXPENSES				
Donated Services	\$ 23,750	\$ 71,250	\$ 95,000	\$ 95,000
Scholarship and Education	67,915	-	67,915	41,577
Grant to VOANA	55,000	-	55,000	65,000
Vasa Star	43,647	-	43,647	40,383
Old Age and Benefit Expense	24,250	-	24,250	27,450
Travel	5,024	15,071	20,095	5,105
Compensation	4,350	13,050	17,400	17,400
Professional Fees	-	9,734	9,734	7,400
Office	7,745	2,580	10,325	6,878
Merchandise	4,259	-	4,259	-
Grant - Swedish American of the Year	2,000	-	2,000	2,000
Insurance	-	1,678	1,678	1,612
TOTAL EXPENSE	\$ 237,940	\$ 113,363	\$ 351,303	\$ 309,805

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 916,055	\$ 1,097,113
Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities:		
Unrealized Gain on Investments	(759,507)	(224,056)
Reinvested Interest and Dividends, Net	(242,618)	(910,876)
Change in Operating Assets and Liabilities:		
Membership Receivable	20,142	(17,046)
Prepaid Assessment	<u>(1,470)</u>	<u>(1,656)</u>
Net Cash Used by Operating Activities	(67,398)	(56,521)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	<u>99,000</u>	<u>85,018</u>
Net Cash Provided by Investing Activities	<u>99,000</u>	<u>85,018</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,602	28,497
CASH AND CASH EQUIVALENTS – Beginning	<u>169,620</u>	<u>141,123</u>
CASH AND CASH EQUIVALENTS – Ending	<u>\$ 201,222</u>	<u>\$ 169,620</u>

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NATURE OF OPERATIONS

The Vasa Order of America the Grand Lodge (the "Lodge") is a Connecticut 501(c)(8) non-profit corporation that was organized in 1896. The Vasa Order of America began as a fraternal beneficiary society for Swedish immigrants to the United States and has grown over the century to welcome members who are committed to the promotion and advancement of Swedish and Nordic heritage and culture. The Lodge has 18 district lodges in the United States, Sweden and Canada. The accounts of the district lodges are not part of these financial statements.

The Lodge's Board is charged with the operation and maintenance of the Lodge. It is their duty to promote the activities of the Lodge and propose major improvements to the Lodge. They are elected for four-year terms at the Vasa Order of America the Grand Lodge convention.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Lodge have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Lodge classifies its net assets and revenues, expenses, gains and losses on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Lodge and changes therein are classified as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Lodge. The Lodge' board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Lodge or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Lodge' ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

SUMMARIZED FINANCIAL INFORMATION

The financial statements and notes to financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Lodge' financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

USE OF ESTIMATES

The preparation of financial statements in certain instances requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS/CONCENTRATION OF RISK

Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for all combined deposits at the same bank. At December 31, 2021, the Lodge's cash balance was fully insured. The Lodge has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

At times during the year, cash balances may exceed the related amount of federal depository insurance. The Lodge has cash balances in its banks in excess of amounts federally insured. There were no uninsured balances at December 31, 2021. The Lodge maintains its cash with high quality financial institutions which the Lodge believes limit these risks.

RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance amount is \$-0- at December 31, 2021 and 2020.

INVESTMENTS

Investments with readily determinable fair values are measured at fair value in the statements of financial position. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as investment return in the statements of activities and changes in net assets. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift. Investments are classified based on their original maturities. Investments with original maturities of less than 12 months are classified as short-term investments.

Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities and the sensitivity of certain fair value estimates to changes in valuation assumptions, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Lodge.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Lodge groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

STUDENT LOANS RECEIVABLE

The Lodge provides non-interest bearing loans to members in need of financial assistance to complete their higher education. Loans receivable represent outstanding balances of student loans at year-end. Each borrower is limited to the aggregate maximum amount of \$4,500 (annual maximum of \$1,500) and the total outstanding loans funded by the Lodge cannot exceed \$40,000. The loan repayment starts three months after the student ceases to be at least a half-time student at an institution of higher learning, and ending three years later. Payments are in equal quarterly installments. The balances are determined to be uncollectible are written off through a charge to the valuation allowance and a credit to loan receivable. As of December 31, 2021 and 2020, there were no student loans outstanding.

PROPERTY AND EQUIPMENT

Costs of property and equipment are charged against income over their estimated useful lives using straight line methods for financial reporting purposes. The policy of the Lodge is to capitalize personal property purchases over \$5,000 and real property purchases over \$10,000. The estimated useful lives are from five to forty years.

Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

The Lodge owned no property and equipment as of December 31, 2021 and 2020 and therefore there was no depreciation expense.

DEFERRED INCOME

Deferred income represents local and/or district lodge assessments received in advance of ensuing membership year.

REVENUE AND REVENUErecognition

Special events or events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Lodge. The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

The Lodge recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Lodge recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In each of the years ended December 31, 2021 and 2020, donated professional services consist of accounting, finance, and investment management services with an estimated fair value of \$115,000.

In addition, The Lodge receives services from volunteers who give significant amounts of their time to the Lodge' programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

Local and District Lodges are assessed annually for all eligible members at a rate of \$20.75 per member (\$18.00 for Swedish members) with all assessment revenue recognized in the current year. Individual members of the Local and District members are eligible for all benefits offered by the Lodge through the calendar year, subject to extended non-paying status of a specific Local or District Lodge.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reflects the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation amount the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

INCOME TAXES

The Lodge is exempt from federal income taxes under Section 501(c)(8) of the Internal Revenue Code (the "Code") as a fraternal benefit society whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject Lodge to federal income tax. The Lodge currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

ACCOUNTING GUIDANCE PENDING ADOPTION

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Lodge is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

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THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

2. FAIR VALUE MEASUREMENT

The Lodge measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Lodge uses a three-level hierarchy established by the FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach).

The Lodge's assessment requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most stringent level of input that is significant to the fair value measurement.

The fair value of investment assets, measured on a recurring basis at December 31 are as follows:

	2021			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equities	6,784,401	-	-	6,784,401
Fixed Income	3,771,488	-	-	3,771,488
	<u>\$ 10,555,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,555,889</u>

	2020			
	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ 55,184	\$ -	\$ -	\$ 55,184
Equities	5,772,462	-	-	5,772,462
Fixed Income	3,825,118	-	-	3,825,118
	<u>\$ 9,652,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,652,764</u>

3. INVESTMENTS

The Lodge carries investments at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investments at December 31 consist of the following:

	2021		2020	
	Market	Cost	Market	Cost
Cash Equivalents	\$ -	\$ -	\$ 55,184	\$ 55,184
Equity Funds	6,784,401	5,791,682	5,772,462	5,725,716
Fixed Income Funds	3,771,488	3,962,476	3,825,118	3,839,315
	<u>\$ 10,555,889</u>	<u>\$ 9,754,158</u>	<u>\$ 9,652,764</u>	<u>\$ 9,620,215</u>

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Net investment income is comprised of the following for the years ended December 31:

	2021	2020
Unrealized Gain	\$ 759,507	\$ 224,056
Income and Capital Gains	262,564	943,802
Investment Management Fees	(39,948)	(52,926)
	<u>\$ 982,123</u>	<u>\$ 1,114,932</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of donor funds restricted for education-related purposes amounting to \$400,493 and \$301,452 at December 31, 2021 and 2020, respectively.

5. NET ASSETS WITH DONOR RESTRICTONS - ENDOWMENT

At December 31, the following net assets are endowments that must be invested in perpetuity, the investment return of which must be expended for scholarships and educational purposes of the Lodge:

	2021 and 2020
Education-Related Endowments from:	
Bertha Evelyn Kalm	\$ 498,860
Edith Gauch Trust	236,667
Various	101,000
Oscar & Mildred Larson	100,000
District Lodge Lake Michigan	23,000
Bo and Sigrid BJORLING	10,000
Irma and Knute Carlson	10,000
	<u>\$ 979,527</u>

The Lodge follows the guidance of ASC Topic 958, *Not-For-Profit Entities*, related to net asset classification and required disclosures of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The Lodge's endowment consists of donor-restricted endowments, and funds designated by the Board of Directors to function as an endowment for 1) scholarship purposes and 2) for Old Age and Benefit Fund (OA&B) payments.

Changes in endowment net assets are as follows:

	With Donor Restrictions (Endowment)	Board- Designated - Scholarship	Board- Designated - OA&B	Endowment Total	Non-Endowment	
					With Donor Restrictions - Scholarship	With Donor Restrictions Total
Beginning balance, January 1, 2020	\$ 979,527	\$ 915,212	\$ 6,348,568	\$ 8,243,307	\$ 221,494	\$ 1,201,021
Investment Gain (Loss)	-	277,149	857,963	1,135,112	119,535	119,535
Education Fund-Related Expenses	-	-	-	-	(39,577)	(39,577)
Education-Related Expenses	-	-	-	-	-	-
OA&B Payouts and Related Expenses	-	-	(72,450)	(72,450)	-	-
Ending balance, December 31, 2020	<u>979,527</u>	<u>1,192,361</u>	<u>7,134,081</u>	<u>9,305,969</u>	<u>301,452</u>	<u>1,280,979</u>
Investment Gain (Loss)	-	74,051	775,321	849,372	153,416	153,416
Contributions	-	-	-	-	11,540	11,540
Education-Related Expenses	-	-	-	-	(65,915)	(65,915)
Appropriations	-	(54,000)	(45,000)	(99,000)	-	-
OA&B Payouts and Related Expenses	-	-	(24,250)	(24,250)	-	-
Ending balance, December 31, 2021	<u>\$ 979,527</u>	<u>\$ 1,212,412</u>	<u>\$ 7,840,152</u>	<u>\$ 10,032,091</u>	<u>\$ 400,493</u>	<u>\$ 1,380,020</u>

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Management interprets Connecticut state law adoption of 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 absent explicit donor stipulations to the contrary. The Lodge classifies as net assets with donor restriction (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to donor-restricted endowments, and (c) additions to the donor-restricted endowments made in accordance with explicit donor instructions stipulated in the gift instruments and d) the appreciation on donor-restricted endowment funds until those amounts are made available for expenditure in the manner consistent with the donor gift instrument and the standard prudence prescribed by UPMIFA. The remaining portion of the donor-restricted endowment fund that is not classified as endowment-type funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Lodge in a manner consistent with the standard prudence prescribed by UPMIFA. The Lodge considered all amounts earned on the endowment fund to be appropriated for current use, and amounts are released from restriction upon expenditure.

In accordance with UPMIFA, the Lodge considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Lodge and the donor-restricted endowment fund
3. General economic conditions
4. The possible effectives of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Lodge
7. The investment policy of the Lodge

If the market value of any fund classified as an endowment at year end is less than the amount determined to be restricted under UPMIFA, the deficit which cannot be funded from net assets with donor restrictions, or unspent earnings of the fund, is reported as a reduction in net assets without restrictions. There were no such deficiencies noted for the years ended December 31, 2021 and 2020.

The primary long-term financial objective for the Lodge's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three, and five years. The endowments shall be managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds the Lodge' existing spending policy and allow sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The endowment will be diversified both by asset class (equity, fixed income, and cash) and within asset class (large capitalization stocks, small capitalization stocks, U.S. Treasury bonds, corporate bonds, etc.). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total endowment and to reduce the overall risk and volatility of the entire portfolio. The total endowment will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives and asset allocation with respect to target percentages.

The Lodge's policy requires that the endowment assets will be governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to enrich and expand the Lodge programs. The endowment base will be defined as the fair market value moving average for the last 20 calendar quarters for the OA&B Fund and the Education Fund. The minimum annual distribution or payout rate will be calculated at a specific fixed percentage of four percent (4%) of the base. Any funds not expensed are reinvested. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowment. In addition, this policy will minimize the probability of invading the principal over the long term.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

6. RELATED PARTY

As prescribed by the Lodge's Constitution, four of the Lodge's board members are also board members of Vasa Order of America National Lodge, Inc. ("VOANA"), a 501(c)(3) charitable organization located in Bishop Hill, Illinois. Grants to VOANA in 2021 and 2020 amounted to \$55,000 and \$65,000, respectively.

7. AVAILABILITY AND LIQUIDITY

The following represents the Lodge's financial assets at December 31:

	2021	2020
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 201,222	\$ 169,620
Membership Receivable	14,468	34,610
Investments	<u>10,555,889</u>	<u>9,652,764</u>
Total Financial Assets	10,771,579	9,856,994
Less Amounts not Available to be Used Within One Year:		
With Donor Restrictions	(1,380,020)	(1,280,979)
Designated by the Board for Education-Related Expenses	(1,212,412)	(1,192,361)
Designated by the Board for OA&B Payouts	<u>(7,840,152)</u>	<u>(7,134,081)</u>
	<u>(10,432,584)</u>	<u>(9,607,421)</u>
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	\$ 338,995	\$ 249,573

The Lodge is substantially supported by investment earnings and membership dues. As part of the Lodge's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, OA&B payouts, liabilities, and other obligations come due. In addition, the Lodge invests its cash in excess of daily requirements in short-term investments.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Lodge has evaluated events and transactions for potential recognition or disclosure through July 22, 2022, the date the financial statements were available to be issued.



VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

**AUDITED
FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

INDEX

DECEMBER 31, 2021

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vasa Order of America National Archives, Inc.

Opinion

We have audited the accompanying financial statements of the Vasa Order of America National Archives, Inc. ("the Archives") 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 the Archives 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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 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 the Archives' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Organization'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, on our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Archives' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cleveland, Ohio
July 5, 2022

H+J
Certified Public Accountants

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2021		2020	
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 28,362	\$ 5,905	\$ 34,267	\$ 36,439		
INVESTMENTS	489,091	497,331	986,422	799,988		
FIXED ASSETS	13,661	-	13,661	14,595		
	\$ 531,114	\$ 503,236	\$ 1,034,350	\$ 851,022		
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accrued Expenses	\$ 6,000	\$ -	\$ 6,000	\$ 6,000		
NET ASSETS						
Without Donor Restrictions:						
Undesignated	36,023	-	36,023	45,034		
Board-Directed	489,091	-	489,091	402,657		
With Donor Restrictions	-	503,236	503,236	397,331		
	\$ 525,114	\$ 503,236	\$ 1,028,350	\$ 845,022		
	\$ 531,114	\$ 503,236	\$ 1,034,350	\$ 851,022		

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2021	2020
PUBLIC SUPPORT & REVENUE				
Contributions and Memorials - General	\$ 27,535	\$ 105,905	\$ 133,440	\$ 30,869
Grand Lodge Grant	55,000	-	55,000	65,000
Donated Services	8,000	-	8,000	8,000
Contributions - District and Local Lodges	1,249	-	1,249	2,024
Other Income	1,195	-	1,195	559
TOTAL PUBLIC SUPPORT & REVENUE	92,979	105,905	198,884	106,452
EXPENSES				
Program	71,136	-	71,136	79,078
Management and General	13,900	-	13,900	13,839
Fund Development	8,954	-	8,954	8,910
TOTAL EXPENSES	93,990	-	93,990	101,827
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,011)	105,905	104,894	4,625
NON-OPERATING ACTIVITIES				
Investment Return, Net	78,434	-	78,434	93,964
CHANGE IN NET ASSETS	77,423	105,905	183,328	98,589
NET ASSETS – Beginning	447,691	397,331	845,022	746,433
NET ASSETS – Ending	\$ 525,114	\$ 503,236	\$ 1,028,350	\$ 845,022

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021
 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2021		2020	
	\$ 40,368	\$ 2,243	\$ 2,243	\$ 44,854		\$ 42,744	
Salaries	\$ -	\$ 9,550	\$ -	\$ 9,550		\$ 9,550	
Professional Fees	\$ 1,286	\$ -	\$ 6,447	\$ 7,733		\$ 6,673	
Postage and Printing	\$ 4,092	\$ 1,676	\$ -	\$ 5,768		\$ 5,670	
Insurance	\$ 5,667	\$ -	\$ -	\$ 5,667		\$ 5,948	
Utilities	\$ 4,729	\$ -	\$ -	\$ 4,729		\$ 11,953	
Property Maintenance	\$ 3,408	\$ 190	\$ 189	\$ 3,787		\$ 2,662	
Payroll Taxes	\$ 3,005	\$ -	\$ -	\$ 3,005		\$ 7,219	
Property Tax	\$ 2,969	\$ 6	\$ 6	\$ 2,981		\$ 2,672	
Office Expense	\$ 1,682	\$ -	\$ -	\$ 1,682		\$ 3,215	
Exhibits and Marketing	\$ 1,251	\$ 70	\$ 69	\$ 1,390		\$ 1,215	
Telephone	\$ 1,288	\$ -	\$ -	\$ 1,288		\$ 100	
Donations	\$ 934	\$ -	\$ -	\$ 934		\$ 934	
Depreciation	\$ 322	\$ -	\$ -	\$ 322		\$ -	
Genesco Grant Expense	\$ 135	\$ -	\$ -	\$ 135		\$ 600	
Temporary Help - Contract	\$ -	\$ 90	\$ -	\$ 90		\$ 75	
Business Registration Fees	\$ -	\$ 75	\$ -	\$ 75		\$ 97	
Bank Fees	\$ -	\$ -	\$ -	\$ -		\$ 500	
Travel and Conference	\$ -	\$ -	\$ -	\$ -		\$ 101,827	
TOTAL EXPENSE	\$ 71,136	\$ 13,900	\$ 8,954	\$ 93,990			

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 183,328	\$ 98,589
Adjustments to Reconcile Changes in Net Assets to Cash Provided by Operating Activities:		
Unrealized Gain	(66,339)	(81,940)
Reinvested Interest and Dividends	(20,095)	(20,023)
Depreciation	934	934
Changes in Operating Assets and Liabilities:		
Accrued Expenses	-	4,800
Accrued Compensation-Related	-	(1,011)
Net Cash Provided by Operating Activities	97,828	1,349
CASH FLOWS FROM INVESTING ACTIVITES		
Purchase of Investments	(100,000)	-
Net Cash Used by Operating Activities	(100,000)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,172)	1,349
CASH AND CASH EQUIVALENTS – Beginning	36,439	35,090
CASH AND CASH EQUIVALENTS – Ending	\$ 34,267	\$ 36,439

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NATURE OF OPERATIONS

The Vasa Order of America National Archives (the "Archives") was incorporated in the State of Illinois in 1975.

The purpose of the Archives is to preserve and display and make available records, documents, works of art, science, inventions and manufacture by persons of Swedish ancestry and to promote public knowledge of an interest in the history of persons of Scandinavian and particularly Swedish Ancestry.

The Archives' Board is charged with the operation and maintenance of the Archives. It is their duty to promote the activities of the Archives and propose major improvements to the Archives. They are elected for four-year terms at the Vasa Order of America ("Grand Lodge") convention, as nominated and approved by the Grand Lodge Board. The Archivist-Manager is responsible to the Archives' Board for the day-to-day operation of the Archives Building and projects, which include maintenance of membership and genealogy computer databases, the library, paper and photographic archives, and artifacts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Archives have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Archives Center classifies its net assets and revenues, expenses, gains and losses on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Archives and changes therein are classified as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Archives. The Archives' board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Archives or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Archives' ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

SUMMARIZED FINANCIAL INFORMATION

The financial statements and notes to financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Archives' financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS/CONCENTRATION OF RISK

Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for all combined deposits at the same bank. At December 31, 2021, the Archives' cash balance was fully insured. The Archives has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management evaluated receivables as of December 31, 2021 and has determined that an allowance for doubtful accounts is immaterial to these financial statements.

INVESTMENTS

Investments with readily determinable fair values are measured at fair value in the statements of financial position. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as investment return in the statements of activities and changes in net assets. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift. Investments are classified based on their original maturities. Investments with original maturities of less than 12 months are classified as short-term investments.

Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities and the sensitivity of certain fair value estimates to changes in valuation assumptions, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Archives.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Archives groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

COLLECTIONS

Collection items consist of art objects that are held for educational and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and kept unencumbered, and activities verifying their existence and assessing their condition are performed continuously. Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. If collection items are sold, the proceeds from the sale are used to purchase additional collection items.

The collections are made up of artifacts of historical significance, furniture, books and art objects that are held for educational, research and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

PROPERTY AND EQUIPMENT

Costs of property and equipment are charged against income over their estimated useful lives using straight-line methods for financial reporting purposes. The policy of the Archives is to capitalize personal property purchases over \$5,000 and real property purchases over \$10,000. The estimated useful lives are from five to forty years.

Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

Depreciation expense for each of the years ended December 31, 2021 and 2020 was \$934.

IMPAIRMENT OF LONG-LIVED ASSETS

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the unrelated expected future net cash flows be less than the carrying value, an impairment loss would be recognized. No impairment was recorded in the years ended December 31, 2021 and 2020.

REVENUE AND REVENUE RECOGNITION

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Archives. The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restriction; otherwise, the contributions are recorded as net assets without donor restriction. The Archives recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributed income of cash or other assets that must be used to acquire long-lived assets are recorded as contributions with donor restrictions and grants until the assets are acquired and placed in service.

Gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless their use is restricted by donor-imposed stipulation or by state law.

The Archives records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Archives recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated professional services consist of investment management services with an estimated fair value of \$8,000 (2021 and 2020).

In addition, the Archives receives services from volunteers who give significant amounts of their time to the Archives' programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses reflects the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

ADVERTISING

Advertising costs are expensed as incurred.

INCOME TAXES

The Archives is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Archives currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

ACCOUNTING GUIDANCE PENDING ADOPTION

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Archives is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

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3. RELATED PARTY

During 2021 and 2020, four of the Archives' board members were also board members of the Grand Lodge, but not in the majority. Grants received from the Grand Lodge amounted to \$55,000 (2021) and \$65,000 (2020).

4. NET ASSETS

Non-Endowment Funds – With Donor Restrictions

Net assets with donor restrictions (non-endowment) amounted to \$5,905 for the purpose of digitizing the Archives' collection.

Endowment Funds – Board- and Donor-Restricted

The Archives follows the guidance of ASC Topic 958, *Not-For-Profit Entities*, related to net assets classification and required disclosures of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA.

The Archives' endowment consists of donor-restricted endowment funds as well as funds designated by the board of directors to function as an endowment. All investment income generated from both funds is to be used for the operation of the Archives.

Endowment net assets consist of the following at December 31:

	Without Donor Restrictions		With Donor Restrictions		Total
	2021	\$ 489,091	\$ -	\$ 489,091	
Board-Designated					
Donor-Restricted		-	497,331		497,331
	\$ 489,091		\$ 497,331		\$ 986,422
<hr/>					
	2020				
Board-Designated					
Donor-Restricted		\$ 402,657	\$ -	\$ 402,657	
		-	397,331		397,331
	\$ 402,657		\$ 397,331		\$ 799,988

Net assets with donor restrictions (endowment) are comprised of the following gifts:

	2021 and 2020
John Werner	\$ 262,331
Anonymous	100,000
District 12 Golden Gate RC	80,000
Estate of Bertil G. Winstrom	50,000
Nobel Lodge 288	5,000
	<hr/>
	\$ 497,331

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Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - January 1, 2020	\$ 300,693	\$ 397,331	\$ 698,024
Investment Return:			
Board-Designation	-	-	-
Investment Fees/Expense	(8,000)	-	(8,000)
Net Appreciation/Depreciation (Realized & Unrealized)	109,964	-	109,964
Endowment Net Assets - December 31, 2020	402,657	397,331	799,988
Investment Return:			
Contribution	-	100,000	100,000
Board-Designation	-	-	-
Investment Fees/Expense	(9,795)	-	(9,795)
Net Appreciation/Depreciation (Realized & Unrealized)	96,229	-	96,229
Endowment Net Assets - December 31, 2021	<u>\$ 489,091</u>	<u>\$ 497,331</u>	<u>\$ 986,422</u>

Management interprets Illinois state law adoption of 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 absent explicit donor stipulations to the contrary. The Archives classifies as net assets with donor restriction (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to donor-restricted endowments, and (c) additions to the donor-restricted endowments made in accordance with explicit donor instructions stipulated in the gift instruments and d) the appreciation on donor-restricted endowment funds until those amounts are made available for expenditure in the manner consistent with the donor gift instrument and the standard prudence prescribed by UPMIFA. The remaining portion of the donor-restricted endowment fund that is not classified as endowment-type funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Archives in a manner consistent with the standard prudence prescribed by UPMIFA. The Archives considered all amounts earned on the endowment fund to be appropriated for current use, and amounts are released from restriction upon expenditure.

In accordance with UPMIFA, the Archives considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Board-restricted endowment fund
3. General economic conditions
4. The possible effectives of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Archives
7. The investment policy of the Archives

If the market value of any fund classified as an endowment at year-end is less than the amount determined to be restricted under UPMIFA, the deficit that cannot be funded from net assets with donor restrictions, or unspent earnings of the fund, is reported as a reduction in net assets without restrictions. There were no such deficiencies noted for the years ended December 31, 2021 and 2020.

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The primary long-term financial objective for the Archives' endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three, and five years. The endowments shall be managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds The Archives' existing spending policy and allow sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The Archives' policy requires that the endowment assets will be governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to support the Archives programs. The endowment base will be defined as a three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of December for the prior three years). The distribution or payout rate will be calculated at a specific fixed percentage of the base (presently 5%). Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term. Spending in a given year will reduce the unit value of each endowment element by the payout percentage. In no case will funds designated as True Endowment be reduced below their initial unit value. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below designed payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal without withdrawing from the original corpus of a particular gift.

The endowment will be diversified both by asset class (equity, fixed income, and cash) and within asset class (large capitalization stocks, small capitalization stocks, U.S. Treasury bonds, corporate bonds, etc.). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total endowment and to reduce the overall risk and volatility of the entire portfolio. The total endowment will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives and asset allocation with respect to target percentages.

5. FAIR VALUE MEASUREMENT

The fair value of investment assets, measured on a recurring basis at December 31 are as follows:

Fair Value Measurements Using:					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
At December 31, 2021:					
Mutual Funds	<u>\$ 986,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 986,422</u>	
At December 31, 2020:					
Mutual Funds	<u>\$ 799,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,988</u>	

6. INVESTMENTS

The Archives carries investments at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investments at December 31 are valued at market and consist of the following:

	2021	2020
Stock Index Funds	\$ 612,990	\$ 593,560
Bond Index Funds	373,432	206,428
	<u>\$ 986,422</u>	<u>\$ 799,988</u>

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The cost of the above investment amounts to approximately \$682,000 and \$529,000 as of December 31, 2021 and 2020, respectively.

Investment return for the years ended December 31 amounted is detailed as follows:

	2021	2020
Net Unrealized Gain	\$ 66,339	\$ 81,940
Dividends and Interest	21,889	20,024
Investment Expense	(9,794)	(8,000)
	<u>\$ 78,434</u>	<u>\$ 93,964</u>

7. FIXED ASSETS

Fixed assets at December 31 consist of the following:

	2021	2020
Land	\$ 4,160	\$ 4,160
Building Improvements	226,380	226,380
Furniture and Fixtures	39,620	39,620
Less: Accumulated Depreciation	270,160	270,160
	<u>(256,499)</u>	<u>(255,565)</u>
	<u>\$ 13,661</u>	<u>\$ 14,595</u>

8. AVAILABILITY AND LIQUIDITY

The following represents the Archives' financial assets at December 31:

	2021	2020
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 34,267	\$ 36,439
Investments	<u>986,422</u>	<u>799,988</u>
Total Financial Assets	1,020,689	836,427
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions - Cash	(5,905)	-
Net Assets with Donor Restrictions - Investments	(497,331)	(397,331)
Designated by the Board for Operating Reserve	<u>(489,091)</u>	<u>(402,657)</u>
	<u>(992,327)</u>	<u>(799,988)</u>
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	<u>\$ 28,362</u>	<u>\$ 36,439</u>

The Archives is substantially supported by individual contributions, investment earnings and grants from the Grand Lodge. As part of the Archives' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Archives invests its cash in excess of daily requirements in interest-bearing money market funds. Additionally, there is a fund established by the governing board that may be drawn upon the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The balance in this fund was \$589,091 and \$402,657 as of December 31, 2021 and 2020, respectively.

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9. SUBSEQUENT EVENTS

In preparing these financial statements, the Archives has evaluated events and transactions for potential recognition or disclosure through July 5, 2022, the date the financial statements were available to be issued.