

THE VASA STAR

Vasastjärnan

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Special Issue

Financial Reports

Vasa Order of America Grand Lodge

January 1 — December 31, 2017

Vasa National Archives

January 1 — December 31, 2017



VASA ORDER OF AMERICA

A Swedish-American Fraternal Organization

GRAND LODGE

Organized September 18, 1896 - Incorporated March 29, 1899

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The 2017 Financial Statements show the financial condition of the Vasa Order of America and Vasa National Archives to be excellent. This is due to the hard work of all members, the Grand Lodge in Session and the Grand Lodge Executive Boards over the past eight years. Volunteerism is the hallmark of the Vasa Order of America.

I remind everyone that we have been beneficiaries of strong equities and bond markets since 2010. This may not continue, but I believe our asset allocation among prudent investments will provide stability.

I am impressed with the enthusiasm of the delegates, officers and HLMs at the 2018 Grand Lodge Convention and by their accomplishments. I extend a special thanks to the Grand Lodge Finance Committee. I appreciate their support, friendship and hard work.

We are rapidly moving into 2019. The Executive Boards of the past two terms have been forward-looking. The results of their dedication and work are obvious. I urge every member to look to the future with the same dedication and enthusiasm.

I thank the Grand Lodge in Session for the confidence in me and for electing me an Honorary Life Member. Our 2018 – 2022 Grand Lodge Executive Board is dedicated to future progress and I look forward to this term of office.

In Truth and Unity

Keith Hanlon
Grand Treasurer



VASA ORDER OF AMERICA NATIONAL ARCHIVES INC.



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October, 2018

Dear Vasa Brothers and Sisters,

Greetings from the Vasa National Archives. Please take time to read the attached Vasa Financial statements including that of the VNA. You will see from the report that the VNA shows financial health.

Thank you for your ongoing financial support of the Vasa National Archives by generously donating annually to the Heritage and Jul Gran Fundraisers. Please review the information included in all Archive Fundraisers regarding charitable estate planning on behalf of the VNA.

We continue maintenance and improvement projects at the Archives and digital upgrades now make it possible for all researchers to efficiently obtain the information requested.

Our current VNA Board members prepare for the future. The current Grand Lodge Board under Art Bjorkner's leadership and that of Keith Hanlon, GL/VNA Treasurer remain steadfast in their support of the needs of the Archives.

The VNA plays a vibrant role in the historical community of Bishop Hill. Our archivist, Kathy Cuff is actively engaged in community event planning and her participation in the life of the village has significantly increased interest in the Archives as well as in the history of immigration and the Vasa Order. These things are not visible in a financial statement but are vital to our future.

The Vasa National Archives needs to be here for the future, committed to preserving and promoting Swedish culture and history. May the future learn from the past!

In Truth and Unity,

PGM Bill Lundquist, President of the Vasa National Archives



VASA ORDER OF AMERICA THE GRAND LODGE

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

VASA ORDER OF AMERICA THE GRAND LODGE

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DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
VASA ORDER OF AMERICA THE GRAND LODGE

We have audited the accompanying financial statements of the Vasa Order of America the Grand Lodge (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vasa Order of America the Grand Lodge as of December 31, 2017 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.

Report on Summarized Comparative Information

The prior-year summarized comparative information has been derived from Vasa Order of America the Grand Lodge's 2016 financial statements and, in our report dated July 11, 2017, we expressed an unmodified opinion on those financial statements.

Emphasis of Matter Regarding Correction of Errors

As discussed in Note 7 to the financial statements, Vasa Order of America Grand Lodge determined that a donor gift previously reported as board-designated assets is more appropriately reported as permanently restricted net assets in the statements of financial position. As a result, the 2016 financial statements have been restated for the impacts of this reporting change. Our opinion is not modified for this matter.

September 25, 2018
Cleveland, Ohio

H&J
Certified Public Accountants



**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	2017	2016
ASSETS					
CURRENT ASSETS:					
Cash & Cash Equivalents	\$ -	\$ -	\$ 159,011	\$ 159,011	\$ 205,581
Membership Receivable	-	-	45,727	45,727	43,683
Student Loans Receivable	-	-	3,000	3,000	1,850
	<u>-</u>	<u>-</u>	<u>207,738</u>	<u>207,738</u>	<u>251,114</u>
INVESTMENTS	<u>878,527</u>	<u>218,198</u>	<u>6,871,959</u>	<u>7,968,684</u>	<u>6,963,774</u>
	<u><u>\$ 878,527</u></u>	<u><u>\$ 218,198</u></u>	<u><u>\$ 7,079,697</u></u>	<u><u>\$ 8,176,422</u></u>	<u><u>\$ 7,214,888</u></u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ 1,989	\$ 1,989	\$ 7,328
Prepaid Membership Assessment	-	-	20,880	20,880	22,518
	<u>-</u>	<u>-</u>	<u>22,869</u>	<u>22,869</u>	<u>29,846</u>
NET ASSETS					
Unrestricted:					
Operations	-	-	274,922	274,922	218,369
Board-Designated - Scholarship	-	-	525,752	525,752	471,940
Board-Designated - OA&B	-	-	6,256,154	6,256,154	5,470,949
	<u>-</u>	<u>-</u>	<u>7,056,828</u>	<u>7,056,828</u>	<u>6,161,258</u>
Temporarily Restricted	-	218,198	-	218,198	156,007
Permanently Restricted	<u>878,527</u>	<u>-</u>	<u>-</u>	<u>878,527</u>	<u>867,777</u>
	<u><u>878,527</u></u>	<u><u>218,198</u></u>	<u><u>7,056,828</u></u>	<u><u>8,153,553</u></u>	<u><u>7,185,042</u></u>
	<u><u>\$ 878,527</u></u>	<u><u>\$ 218,198</u></u>	<u><u>\$ 7,079,697</u></u>	<u><u>\$ 8,176,422</u></u>	<u><u>\$ 7,214,888</u></u>

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2016)

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED	UNRESTRICTED	2017	2016
PUBLIC SUPPORT & REVENUES					
PUBLIC SUPPORT					
Membership Assessments	\$ -	\$ -	\$ 186,781	\$ 186,781	\$ 184,462
Donated Services and Occupancy	-	-	116,800	116,800	108,400
Bequest	10,750	-	-	10,750	-
Stamp Program	-	10,660	-	10,660	9,465
Other Income	-	-	4,400	4,400	5,743
Contributions	-	-	1,880	1,880	125
Net Assets Released from Restrictions	-	(103,611)	103,611	-	-
TOTAL PUBLIC SUPPORT & REVENUES	10,750	(92,951)	413,472	331,271	308,195
EXPENSES					
Program	-	-	287,640	287,640	242,700
Management & General	-	-	124,280	124,280	110,341
TOTAL EXPENSES	-	-	411,920	411,920	353,041
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	10,750	(92,951)	1,552	(80,649)	(44,846)
NON-OPERATING ACTIVITIES:					
Investment Income	-	155,142	894,018	1,049,160	380,429
CHANGE IN NET ASSETS	10,750	62,191	895,570	968,511	335,583
NET ASSETS – Beginning	867,777	156,007	6,161,258	7,185,042	6,849,459
NET ASSETS – Ending	<u>\$ 878,527</u>	<u>\$ 218,198</u>	<u>\$ 7,056,828</u>	<u>\$ 8,153,553</u>	<u>\$ 7,185,042</u>

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2016)

	PROGRAM SERVICES	MANAGEMENT & GENERAL	2017	2016
EXPENSES				
Donated Services and Occupancy	\$ 29,200	\$ 87,600	\$ 116,800	\$ 108,400
Old Age and Benefit Expenses	86,300	-	86,300	59,200
Scholarship and Education	45,952	-	45,952	51,111
Grant to VOANA	45,000	-	45,000	35,000
Vasa Star	44,091	-	44,091	45,887
Travel	14,802	14,802	29,604	13,289
Compensation	3,300	9,900	13,200	13,200
Office Expense	8,034	2,678	10,712	3,519
Professional Fees	-	9,300	9,300	5,950
Membership Expense	8,780	-	8,780	5,187
Merchandise	2,181	-	2,181	12,298
TOTAL EXPENSE	<u>\$ 287,640</u>	<u>\$ 124,280</u>	<u>\$ 411,920</u>	<u>\$ 353,041</u>

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 968,511	\$ 335,583
Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities:		
Unrealized Gain on Investments	(773,670)	(208,053)
Reinvested Interest and Dividends, Net	(275,490)	(191,002)
Change in Operating Assets and Liabilities:		
Membership Receivable	(2,044)	1,192
Student Loan Receivable	(1,150)	1,414
Accounts Payable	(5,339)	7,328
Prepaid Assessment	(1,638)	(602)
Grant Payable to VOANA	-	(45,000)
Net Cash Used by Operating Activities	(90,820)	(99,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	55,000	95,000
Decrease in Asset Recovery Receivable	-	167,313
Purchase of Investments	(10,750)	(179,489)
Net Cash Provided by Investing Activities	44,250	82,824
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,570)	(16,316)
CASH AND CASH EQUIVALENTS - Beginning	205,581	221,897
CASH AND CASH EQUIVALENTS - Ending	\$ 159,011	\$ 205,581

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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 Grand Lodge convention.

The Lodge's website is www.vasaorder.com.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Lodge have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION

The Lodge's financial statement presentation follows accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Lodge is required to report information regarding its net assets and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Lodge reports gifts and grants of cash and other assets as restricted support if they are received with stipulations that limit their use. When a restriction expires or the cash is expended in accordance with the limitations stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Changes in Net Assets as net assets released from restrictions.

PRIOR-PERIOD INFORMATION

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Lodge's financial statements for the year ended December 31, 2016, from which the summarized comparative total amounts were derived.

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, 2017, 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.

ACCOUNTS AND GRANTS OR PLEDGES RECEIVABLE

Accounts and grants or pledges receivable 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, 2017 and 2016.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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.

CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts on deposit that can be withdrawn on demand or mature within three months.

INVESTMENTS

Investments consist of marketable securities and are valued at fair market value. Investment income and gains restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

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, 2017 and 2016 and therefore there was no depreciation expense.

MEMBER DUES

The Lodge records revenue from membership dues over the applicable membership period.

CONTRIBUTIONS

All contributions are considered unrestricted unless specifically restricted by the donor.

CONTRIBUTED SERVICES AND MATERIAL

Contributed goods and services are reflected as both contribution revenue and expenses if they meet the criteria defined in accordance with GAAP, "Accounting for Contributions," in the accompanying statement of activities at their estimated fair value at date of receipt. The contributions of services are recognized if (a) the services received create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those assets and would typically need to be purchased if not provided.

For each of the years ended December 31, 2017 and 2016, donated professional services consist of accounting, finance and database management services with an estimated fair value of \$100,000 and \$60,000, respectively.

Donated office space, including utilities, were provided by certain officers of the Lodge at an estimated fair value of \$16,800 in 2017 and \$8,400 in 2016.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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.

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs amounted to \$-0- in 2017 and 2016.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts for specific groups of financial instruments are presented within the notes applicable to such items. Cash and cash equivalents, accounts/pledges receivable, and accounts payable are stated at cost, which approximates fair value, due to their short term maturity.

CONCENTRATIONS

The Lodge largely depends on performance of its investments for a portion of its revenue. The Lodge is exposed to various investment risks which are driven by changes in the worldwide economic environment. Those uncertainties may have a negative impact on the value of the Lodge's assets. The Lodge's inability to generate sufficient investment earnings may reduce its ability to provide financial assistance to its members.

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 currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

FAIR VALUE MEASUREMENT

FASB ASC Topic *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurements and Disclosures* Topic, the Lodge has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For the Lodge, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market that the Lodge has the ability to access (Level 1). As of and for the year ended December 31, 2017 and 2016, only the Lodge's investments, as described in the notes to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurements and Disclosures* Topic of FASB ASC. All of the carrying amounts of the Lodge's other assets and liabilities on its statement of financial position approximate fair value because of the short maturity of those instruments.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU, as deferred one year by ASU No. 2016-04, is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact on the financial statements and the options of adopting using either a full retrospective or a modified approach.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This amends current guidance that requires only capital leases to be recognized on the lessee balance sheet. ASU 2016-02 will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for the Organization for reporting periods beginning after December 15, 2019 with early adoption permitted. The Organization is currently evaluating the impact that ASU 2016-02 will have on its financial statements and will adopt the provisions upon the effective date.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities. This standard sets forth changes to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Organization for reporting periods beginning after December 15, 2017. The Organization is currently evaluating the impact that ASU 2016-14 will have on its financial statements and will adopt the provisions upon the effective date.

SUBSEQUENT EVENTS

In preparing these financial statements, the Lodge has evaluated events and transactions for potential recognition or disclosure through September 25, 2018, the date the financial statements were available to be issued.

2. INVESTMENTS

Investments at December 31 consist of the following:

	2017		2016	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Cash Equivalents	\$ 167,413	\$ 167,413	\$ 184,376	\$ 184,376
Equities	5,356,857	4,202,312	4,413,525	3,988,994
Fixed Income	1,937,102	1,958,458	1,664,697	1,709,045
Hedge Funds	337,162	335,884	301,251	305,570
Tangible Assets	170,150	210,026	155,038	197,684
Real Estate	-	-	244,887	257,079
	<u>\$ 7,968,684</u>	<u>\$ 6,874,093</u>	<u>\$ 6,963,774</u>	<u>\$ 6,642,748</u>

Investment fees in the amount of approximately \$28,000 (2017) and \$19,000 (2016) are netted with "Investment Income" on the Statement of Activities.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

3. TEMPORARILY RESTRICTED NET ASSETS

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Temporarily restricted net assets, comprised of unexpended endowment earnings restricted for education-related purposes, amounted to \$215,300 and \$153,108 at December 31, 2017 and 2016, respectively.

4. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted 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.

	2017	2016
Bertha Evelyn Kalm Endomwnet	\$ 498,860	\$ 488,110
Edith Gauch Trust Endowment	236,667	236,667
Oscar & Mildred Larson Endowment	100,000	100,000
District Lodge Lake Michigan Endowment	23,000	23,000
Bo and Sigrid Bjorling Endowment	10,000	10,000
Irma and Knute Carlson Endowment	10,000	10,000
	<u>\$ 878,527</u>	<u>\$ 867,777</u>

5. ENDOWMENT

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:

	Donor- Restricted (Permanently Restricted)	Board- Designated - Scholarship (Unrestricted)	Board- Designated - OA&B (Unrestricted)	Total
Beginning balance, January 1, 2016	\$ 867,777	\$ 247,326	\$ 5,268,569	\$ 6,383,672
Investment Income	-	26,480	261,580	288,060
Board Designations	-	198,134	-	198,134
OA&B Payouts and Related Expenses	-	-	(59,200)	(59,200)
Ending balance, December 31, 2016	867,777	471,940	5,470,949	6,810,666
Investment Income	-	53,812	871,505	925,317
Bequest	10,750	-	-	10,750
OA&B Payouts and Related Expenses	-	-	(86,300)	(86,300)
Ending balance, December 31, 2017	<u>\$ 878,527</u>	<u>\$ 525,752</u>	<u>\$ 6,256,154</u>	<u>\$ 7,660,433</u>

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment fund in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 permanently restricted at year end is less than the amount determined to be permanently restricted, the deficit which cannot be funded from temporarily restricted unspent earnings of the fund are reported as a reduction in unrestricted net assets. There were no such deficiencies noted for the periods ended December 31, 2017.

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's 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 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 support The Lodge 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 4%). 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.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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 (US Trust portfolio-OA&B Fund) or 12 calendar quarters (Vanguard VBAIX-Scholarship 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.

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 Archives, Inc. ("VOANA"), a 501(c)(3) charitable Lodge located in Bishop Hill, Illinois. Grants to VOANA in 2017 and 2016 amounted to \$45,000 and \$35,000, respectively.

7. PRIOR PERIOD ADJUSTMENT

During 2017, management determined that cumulative gifts from one donor, dating back to 2013, are more appropriately classified as permanently restricted net assets, with unexpended earnings restricted for education-related purposes classified as temporarily restricted net assets.

The effects of this adjustment on the beginning balances at January 1, 2016 are as follows:

	As Previously Stated	Prior Period Adjustment	As Restated
Unrestricted Net Assets	\$ 6,805,375	\$ (644,117)	\$ 6,161,258
Temporarily Restricted Net Assets	\$ -	\$ 156,007	\$ 156,007
Permanently Restricted Net Assets	\$ 379,667	\$ 488,110	\$ 867,777



**VASA ORDER OF AMERICA
NATIONAL ARCHIVES, INC.**

AUDITED
FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

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DECEMBER 31, 2017 AND 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the Vasa Order of America National Archives, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vasa Order of America National Archives, Inc. as of December 31, 2017 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.

Report on Summarized Comparative Information

The prior-year summarized comparative information has been derived from Vasa Order of America National Archives, Inc.'s 2016 financial statements and, in our report dated May 23, 2017, we expressed an unmodified opinion on those financial statements.

Cleveland, Ohio
July 19, 2018

H&J
Certified Public Accountants



VASA ORDER OF AMERICA NATIONAL ARCHIVES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 46,599	\$ 62,580
Grand Lodge Grant Receivable	-	-
	46,599	62,580
INVESTMENTS	605,995	529,025
FIXED ASSETS		
Land	4,160	4,160
Building and Building Improvements	226,380	226,380
Office and Archival Equipment	39,620	39,620
	270,160	270,160
Accumulated Depreciation	(252,762)	(251,828)
	17,398	18,332
	\$ 669,992	\$ 609,937
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Expenses	\$ 1,200	\$ 1,230
NET ASSETS		
Unrestricted:		
Undesignated	62,797	79,682
Board-Designated	605,995	529,025
	668,792	608,707
	\$ 669,992	\$ 609,937

VASA ORDER OF AMERICA NATIONAL ARCHIVES

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
PUBLIC SUPPORT & REVENUES		
PUBLIC SUPPORT		
Grand Lodge Grant	\$ 45,000	\$ 35,000
Other Contributions and Memorials	23,569	20,751
District and Local Lodge Contributions - General	8,169	5,779
Donated Services	6,000	6,000
District Lodge Contribution - Board-Designated	5,000	
	87,738	67,530
REVENUES		
Other Income	394	600
	88,132	68,130
TOTAL PUBLIC SUPPORT & REVENUES		
	88,132	68,130
EXPENSES		
Program	69,602	70,819
Management & General	21,383	16,333
Fund Raising	9,032	6,870
	100,017	94,022
TOTAL EXPENSES		
	100,017	94,022
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(11,885)	(25,892)
NON-OPERATING ACTIVITIES		
Investment Return	71,970	25,259
Recovery from Lawsuit Settlement	-	289,164
	71,970	314,423
TOTAL NON-OPERATING ACTIVITIES		
	71,970	314,423
CHANGE IN NET ASSETS	60,085	288,531
NET ASSETS - Beginning	608,707	320,176
	608,707	320,176
NET ASSETS - Ending	\$ 668,792	\$ 608,707

See independent auditor's report and accompanying notes.

VASA ORDER OF AMERICA NATIONAL ARCHIVES

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	2017	2016
EXPENSES					
Compensation	\$ 39,794	\$ 2,210	\$ 2,210	\$ 44,214	\$ 41,729
Professional Fees	-	10,623	-	10,623	8,570
Property Maintenance	8,504	-	-	8,504	7,024
Donated Professional Fees	-	6,000	-	6,000	6,000
Insurance	3,436	1,540	-	4,976	4,763
Utilities	4,671	-	-	4,671	4,873
Printing & Photocopying	32	-	4,633	4,665	4,153
Office Expense	3,328	-	-	3,328	3,133
Property Tax	3,073	-	-	3,073	3,102
Travel and Conference	3,041	-	-	3,041	3,219
Postage & Delivery	523	-	2,189	2,712	2,892
Telephone	1,270	-	-	1,270	1,239
Depreciation	934	-	-	934	934
Temporary Help - Contract	-	864	-	864	593
Exhibits and Marketing	546	-	-	546	173
Small Equipment	250	-	-	250	60
Donations	200	-	-	200	-
Bank Fees	-	118	-	118	250
Business Registration Fees	-	28	-	28	25
Website Development	-	-	-	-	1,290
TOTAL EXPENSE	\$ 69,602	\$ 21,383	\$ 9,032	\$ 100,017	\$ 94,022

See independent auditor's report and accompanying notes.

VASA ORDER OF AMERICA NATIONAL ARCHIVES

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR
ENDED DECEMBER 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 60,085	\$ 288,531
Adjustments to Reconcile Changes in Net Assets to Cash Provided by (Used by) Operating Activities:		
Unrealized Gain	(60,593)	(17,370)
Reinvested Interest and Dividends	(11,377)	(7,889)
Depreciation	934	934
Changes in Operating Assets and Liabilities		
Decrease in Grand Lodge Grant Receivable	-	45,000
Increase (Decrease) in Accrued Expenses	(30)	(1,148)
	(10,981)	308,058
Net Cash Provided by (Used by) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	-	(289,164)
	-	(289,164)
Net Cash Used by Investing Activities		
NET INCREASE (DECREASE) IN CASH	(10,981)	18,894
CASH AND CASH EQUIVALENTS – Beginning	62,580	43,686
CASH AND CASH EQUIVALENTS – Ending	\$ 51,599	\$ 62,580

See independent auditor's report and accompanying notes.

VASA ORDER OF AMERICA NATIONAL ARCHIVES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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 Vasa Order of America National 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.

The Archives' website is www.vasaarchives.com.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Archives have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION

The Archives' financial statement presentation follows accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Archives is required to report information regarding its net assets and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Archives reports gifts and grants of cash and other assets as restricted support if they are received with stipulations that limit their use. When a restriction expires or the cash is expended in accordance with the limitations stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Changes in Net Assets as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

PRIOR-PERIOD INFORMATION

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Archives' financial statements for the year ended December 31, 2016, from which the summarized comparative total amounts were derived.

ACCOUNTS RECEIVABLE

Accounts receivable 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. There is no allowance for doubtful accounts at December 31, 2017 or 2016.

VASA ORDER OF AMERICA NATIONAL ARCHIVES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 was \$934.

CONTRIBUTIONS

All contributions are considered unrestricted unless specifically restricted by the donor.

DONATED SERVICES AND MATERIAL

Donated goods and services are reflected as both contribution revenue and expenses if they meet the criteria defined in accordance with GAAP, "Accounting for Contributions," in the accompanying statement of activities at their estimated fair value at date of receipt. The contributions of services are recognized if (a) the services received create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those assets and would typically need to be purchased if not provided.

Donated professional services consist of accounting services with an estimated fair value of \$6,000 (2017 and 2016).

In addition, the Archives receives services from a large number of 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.

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, 2017, 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.

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, 2017 and 2016.

CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts on deposit that can be withdrawn on demand or mature within three months.

VASA ORDER OF AMERICA NATIONAL ARCHIVES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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.

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs amounted to \$547 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts for specific groups of financial instruments are presented within the notes applicable to such items. Cash and cash equivalents, accounts/pledges receivable, and accounts payable are stated at cost, which approximates fair value, due to their short term maturity.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FAIR VALUE MEASUREMENT

FASB ASC Topic *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurements and Disclosures* Topic, the Archives has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For the Archives, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market that the Archives has the ability to access (Level 1). As of and for the December 31, 2017 and 2016, only Archives' investments, as described in Note 5 to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurements and Disclosures* Topic of FASB ASC.

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.

COLLECTIONS

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from de-accessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions.

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 cataloged, 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.

VASA ORDER OF AMERICA NATIONAL ARCHIVES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

COMPENSATED ABSENCES

Employees of the Archives are entitled to paid vacations, sick days and personal days off depending on job classification, length of service and other factors. The Archives' policy is to recognize the costs of compensated absences when actually paid to employees. The effect of this method instead of accruing these costs is minimal at December 31, 2017 and 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU, as deferred one year by ASU No. 2016-04, is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact on the financial statements and the options of adopting using either a full retrospective or a modified approach.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This amends current guidance that requires only capital leases to be recognized on the lessee balance sheet. ASU 2016-02 will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for the Organization for reporting periods beginning after December 15, 2019 with early adoption permitted. The Organization is currently evaluating the impact that ASU 2016-02 will have on its financial statements and will adopt the provisions upon the effective date.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities. This standard sets forth changes to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Organization for reporting periods beginning after December 15, 2017. The Organization is currently evaluating the impact that ASU 2016-14 will have on its financial statements and will adopt the provisions upon the effective date.

SUBSEQUENT EVENTS

In preparing these financial statements, the Archives has evaluated events and transactions for potential recognition or disclosure through July 19, 2018, the date the financial statements were available to be issued.

2. TEMPORARILY RESTRICTED NET ASSETS

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

3. RELATED PARTY

During 2017 and 2016, four of the Archives' board members were also board members of the Grand Lodge.

Grants received from the Grand Lodge amounted to \$45,000 and \$35,000 for the years ended December 31, 2017 and 2016, respectively.

VASA ORDER OF AMERICA NATIONAL ARCHIVES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

4. ENDOWMENTS

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 funds designated by the board of directors to function as an endowment. Net assets associated with endowment funds, including funds designated by the board of directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets consist of the following at December 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-Designated	\$ 605,995	\$ -	\$ -	\$ 605,995
	<u>605,995</u>	<u>-</u>	<u>-</u>	<u>605,995</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-Designated	\$ 529,025	\$ -	\$ -	\$ 529,025
	<u>529,025</u>	<u>-</u>	<u>-</u>	<u>529,025</u>

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - January 1, 2016	\$ 214,602	\$ -	\$ -	\$ 214,602
Investment Return:				
Board-Designation	289,164	-	-	289,164
Net Appreciation/Depreciation (Realized & Unrealized)	25,259	-	-	25,259
Total Investment Return	314,423	-	-	314,423
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - December 31, 2016	529,025	-	-	529,025
Investment Return:				
Board-Designation	5,000	-	-	5,000
Net Appreciation/Depreciation (Realized & Unrealized)	71,970	-	-	71,970
Total Investment Return	76,970	-	-	76,970
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - December 31, 2017	\$ 605,995	\$ -	\$ -	\$ 605,995

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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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment fund in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 permanently restricted at year end is the amount determined to be permanently restricted, the deficit which cannot be funded from temporarily restricted unspent earnings of the fund are reported as a reduction in unrestricted net assets. There were no such deficiencies noted for the periods ended December 31, 2017 and 2016.

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.

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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. 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:

	<u>2017</u>	<u>2016</u>
Balanced Index Fund	\$ 589,995	\$ 200,598
Cash Equivalents	16,000	11,000
Money Market Funds	-	3,004
	<u>\$ 605,995</u>	<u>\$ 214,602</u>

The cost of the above investment amounts to approximately \$488,000 and \$187,000 as of December 31, 2017 and 2016, respectively.

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

	<u>2017</u>	<u>2016</u>
Net Unrealized Gain (Loss)	\$ 60,593	\$ (3,136)
Dividends and Interest	11,377	4,150
	<u>\$ 71,970</u>	<u>\$ 1,014</u>

Investment fees amounted to \$-0- for the years ended December 31, 2017 and 2016.

6. RECOVERY FROM LAWSUIT SETTLEMENT

The Archives was subject to the misappropriation of its investments in 2009. In September 2016, the Archives' recovered \$289,164 as a result of a favorable verdict in the case. The Board designated the entire recovery as a Board endowment fund, see Footnote 4.