

# THE VASA STAR

## Vasastjärnan

Publication of THE VASA ORDER OF AMERICA

Special Issue 2019  
[www.vasaorder.org](http://www.vasaorder.org)



## Special Issue

### Financial Reports

**Vasa Order of America Grand Lodge**

January 1 — December 31, 2018

**Vasa National Archives**

January 1 — December 31, 2018

## Independent Auditor's Reports

### The Grand Lodge Vasa Order of America The Vasa Order of America National Archives Inc.

The Grand Lodge Vasa Order of America and Vasa National Archives Executive Boards are pleased to publish the 2018 Financial Statements prepared by Rolly Standish, CPA of H&J CPAs of Concord Ohio.

The sound condition of our investment portfolios assures continuing support of our major programs:

- Benefits for needy Members
- College Scholarships
- Sjölund Language camp grants
- The Vasa National Archives

From its founding in 1896 through today our members, lodges and leadership are woven into the history of Swedish immigration to the USA and Canada.

The Vasa Order of America National Archives Inc. (VOANA) preserves not only the legacy of the Vasa Order; it is an irreplaceable repository of Swedish and Nordic immigration. Your families are an integral part of that history.

I am concerned about the low percentage of Vasa members providing financial support of the Archives. Approximately 4.5% of the membership make donations each year. The Archives greatly appreciates the donations; however, this base of dedicated members is minimal.

Our thanks to Archives President Bill Lundquist, Archivist Kathy Cuff and the Archives Executive Board for their dedication to continuing growth and maintenance of our National Archives.

I thank Grand Master Art Bjorkner and Archives President Bill Lundquist for their leadership and the Executive boards of both organizations for donating their time to the Vasa Order of America. My thanks PGM Tore Kellgren for continuing to volunteer his time and talent supporting the Vasa Order of America.

In Truth and Unity  
Keith Hanlon  
Grand Treasurer



# VASA ORDER OF AMERICA NATIONAL ARCHIVES INC.



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July, 2019

Dear Vasa Brothers and Sisters,

Greetings from the Vasa National Archives. Please take time to read the attached Vasa Financial statements. You will see from the report that the VNA is financially healthy.

Thank you for your support via donations to the Heritage and Jul Gran Fundraisers as well as individual, District and Local Lodge donations. Please continue reviewing 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. Grants have been secured and match funding has been successful thanks to member participation.

Our current VNA Board members prepare for the future. The current Grand Lodge Board under Art Bjorkner's leadership and that of Keith Hanlon, GT/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 the history of the Vasa Order and promoting Swedish culture and history. May the future learn from the past!

In Truth and Unity,

PGM Bill Lundquist, President  
Vasa National Archives



# **VASA ORDER OF AMERICA THE GRAND LODGE**

## **AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

# VASA ORDER OF AMERICA THE GRAND LODGE

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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, 2018, 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, 2018 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 2017 financial statements and, in our report dated September 25, 2018, we expressed an unmodified opinion on those financial statements.

July 22, 2019  
Cleveland, Ohio

*H&J*  
Certified Public Accountants



**VASA ORDER OF AMERICA  
THE GRAND LODGE**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

ASSETS	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS	2018	2017
<b>CURRENT ASSETS:</b>				
Cash & Cash Equivalents	\$ -	\$ 109,405	\$ 109,405	\$ 159,011
Membership Receivable	-	34,919	34,919	45,727
Student Loans Receivable	-	1,410	1,410	3,000
	<u>-</u>	<u>145,734</u>	<u>145,734</u>	<u>207,738</u>
<b>INVESTMENTS</b>	<u>1,014,446</u>	<u>6,288,153</u>	<u>7,302,599</u>	<u>7,968,684</u>
	<u>\$ 1,014,446</u>	<u>\$ 6,433,887</u>	<u>\$ 7,448,333</u>	<u>\$ 8,176,422</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,989
Prepaid Membership Assessment	-	19,188	19,188	20,880
	<u>-</u>	<u>19,188</u>	<u>19,188</u>	<u>22,869</u>
<b>NET ASSETS</b>				
<b>Without Donor Restrictions:</b>				
Operations	-	270,993	270,993	274,922
Board-Designated - Scholarship	-	511,436	511,436	525,752
Board-Designated - OA&B	-	5,632,270	5,632,270	6,256,154
	<u>-</u>	<u>6,414,699</u>	<u>6,414,699</u>	<u>7,056,828</u>
<b>With Donor Restrictions</b>	<u>1,014,446</u>	<u>-</u>	<u>1,014,446</u>	<u>1,096,725</u>
	<u>1,014,446</u>	<u>6,414,699</u>	<u>7,429,145</u>	<u>8,153,553</u>
	<u>\$ 1,014,446</u>	<u>\$ 6,433,887</u>	<u>\$ 7,448,333</u>	<u>\$ 8,176,422</u>

See accompanying notes.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
DECEMBER 31, 2017)

	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS	2018	2017
PUBLIC SUPPORT & REVENUES				
PUBLIC SUPPORT				
Membership Assessments	\$ -	\$ 178,085	\$ 178,085	\$ 186,781
Donated Services and Occupancy	-	116,800	116,800	116,800
Stamp Program	-	11,035	11,035	10,660
Other Income	-	5,336	5,336	4,400
Recovery from Lawsuit Settlement	-	328	328	-
Contributions	-	-	-	1,880
Bequest	-	-	-	10,750
Net Assets Released from Restrictions	(64,797)	64,797	-	-
<b>TOTAL PUBLIC SUPPORT &amp; REVENUES</b>	<b>(64,797)</b>	<b>376,381</b>	<b>311,584</b>	<b>331,271</b>
EXPENSES				
Program	-	308,557	308,557	287,640
Management & General	-	156,351	156,351	124,280
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>464,908</b>	<b>464,908</b>	<b>411,920</b>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(64,797)	(88,527)	(153,324)	(80,649)
NON-OPERATING ACTIVITIES:				
Investment Income (Loss)	(17,482)	(553,602)	(571,084)	1,049,160
CHANGE IN NET ASSETS	(82,279)	(642,129)	(724,408)	968,511
NET ASSETS – Beginning	1,096,725	7,056,828	8,153,553	7,185,042
NET ASSETS – Ending	<u>\$ 1,014,446</u>	<u>\$ 6,414,699</u>	<u>\$ 7,429,145</u>	<u>\$ 8,153,553</u>

See accompanying notes.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
DECEMBER 31, 2017)

	PROGRAM SERVICES	MANAGEMENT & GENERAL	2018	2017
<b>EXPENSES</b>				
Donated Services and Occupancy	\$ 29,200	\$ 87,600	\$ 116,800	\$ 116,800
Old Age and Benefit Expenses	84,275	-	84,275	86,300
Quadrennial Convention (2018-2022)	19,196	44,790	63,986	-
Scholarship and Education	56,177	-	56,177	45,952
Grant to VOANA	45,000	-	45,000	45,000
Vasa Star	42,187	-	42,187	44,091
Merchandise	17,142	-	17,142	2,181
Compensation	3,825	11,475	15,300	13,200
Professional Fees	-	8,400	8,400	9,300
Membership Expense	7,877	-	7,877	8,780
Travel	2,062	2,061	4,123	29,604
Office Expense	1,616	539	2,155	9,280
Insurance	-	1,486	1,486	1,432
<b>TOTAL EXPENSE</b>	<b>\$ 308,557</b>	<b>\$ 156,351</b>	<b>\$ 464,908</b>	<b>\$ 411,920</b>

See accompanying notes.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
DECEMBER 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (724,408)	\$ 968,511
Adjustments to Reconcile Changes in Net Assets to Cash Used by by Operating Activities:		
Unrealized Loss (Gain) on Investments	785,374	(773,670)
Reinvested Interest and Dividends, Net	(214,289)	(275,490)
Change in Operating Assets and Liabilities:		
Membership Receivable	10,808	(2,044)
Student Loan Receivable	1,590	(1,150)
Accounts Payable	(1,989)	(5,339)
Prepaid Assessment	(1,692)	(1,638)
Net Cash Used by Operating Activities	(144,606)	(90,820)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	95,000	55,000
Purchase of Investments	-	(10,750)
Net Cash Provided by Investing Activities	95,000	44,250
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,606)	(46,570)
CASH AND CASH EQUIVALENTS - Beginning	159,011	205,581
CASH AND CASH EQUIVALENTS - Ending	\$ 109,405	\$ 159,011

See accompanying notes.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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](http://www.vasaorder.com).

**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 financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-For-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under provisions of the Guide, net assets and revenues, and gains and losses are classified based 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's 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's 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.

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, 2017, from which the summarized comparative total amounts were derived.

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.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018, 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.

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.

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.

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. 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: <ul style="list-style-type: none"> <li>• Quoted prices for similar assets/liabilities in active markets;</li> <li>• Quoted prices for identical or similar assets in non-active markets;</li> <li>• Inputs other than quoted prices that are observable for the asset/liability; and,</li> <li>• Inputs that are derived principally from or corroborated by other observable market data.</li> </ul> |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data.   |

INVESTMENTS

Investments in marketable securities with readily determinable fair values are included in the statement of financial position at fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in investments carried at fair value are reflected as investment income in the accompanying statement of activities.

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, 2018 and 2017.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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.

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, 2018 and 2017 and therefore there was no depreciation expense.

MEMBER DUES

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

CONTRIBUTION REVENUE

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

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 restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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, 2018 and 2017, 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 2018 and \$8,400 in 2017.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among services and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include compensation, travel and conference, office expense and telephone on the basis of estimates of time and effort.

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.

RECENT ACCOUNTING PRONOUNCEMENTS

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Lodge has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 Lodge 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 Lodge for reporting periods beginning after December 15, 2019 with early adoption permitted. The Lodge is currently evaluating the impact that ASU 2016-02 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 July 22, 2019, the date the financial statements were available to be issued.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**2. INVESTMENTS**

Investments at December 31 consist of the following:

	2018		2017	
	Market	Cost	Market	Cost
Cash Equivalents	\$ 370,365	\$ 350,925	\$ 167,413	\$ 167,413
Equities	4,537,666	4,909,622	5,356,857	4,202,312
Fixed Income	1,326,469	1,337,890	1,937,102	1,958,458
Hedge Funds	829,452	894,802	337,162	335,884
Tangible Assets	238,647	316,363	170,150	210,026
	<u>\$ 7,302,599</u>	<u>\$ 7,809,602</u>	<u>\$ 7,968,684</u>	<u>\$ 6,874,093</u>

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

Interest and Dividends	\$ 169,119	\$ 145,710
Realized Gains, Net	69,286	158,208
Unrealized Losses, Net	(785,374)	773,670
Investment Management Fees	(24,115)	(28,428)
	<u>\$ (571,084)</u>	<u>\$ 1,049,160</u>

**3. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES**

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 following table presents information about the Lodge's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017, based on the level of input utilized to measure fair value.

	2018		
	Level 1	Level 2	Total
Cash Equivalents	\$ 370,365	\$ -	\$ 370,365
Equities	4,537,666	-	4,537,666
Fixed Income	1,326,469	-	1,326,469
Hedge Funds	-	829,452	829,452
Tangible Assets	-	238,647	238,647
	<u>\$ 6,234,500</u>	<u>\$ 1,068,099</u>	<u>\$ 7,302,599</u>

	2017		
	Level 1	Level 2	Total
Cash Equivalents	\$ 167,413	\$ -	\$ 167,413
Equities	5,356,857	-	5,356,857
Fixed Income	1,937,102	-	1,937,102
Hedge Funds	-	337,162	337,162
Tangible Assets	-	170,150	170,150
	<u>\$ 7,461,372</u>	<u>\$ 507,312</u>	<u>\$ 7,968,684</u>

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are comprised of donor funds and unexpended endowment earnings restricted for education-related purposes amounting to \$135,919 and \$218,198 at December 31, 2018 and 2017, respectively.

**5. NET ASSETS WITH DONOR RESTRICTONS - ENDOWMENT**

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.

	2018	2017
Education-Related Endowments from:		
Bertha Evelyn Kalm	\$ 498,860	\$ 498,860
Edith Gauch Trust	236,667	236,667
Oscar & Mildred Larson	100,000	100,000
District Lodge Lake Michigan	23,000	23,000
Bo and Sigrid Bjorling	10,000	10,000
Irma and Knute Carlson	10,000	10,000
	<u>\$ 878,527</u>	<u>\$ 878,527</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	With Donor Restrictions - Scholarship	With Donor Restrictions Total
Beginning balance, January 1, 2017	\$ 867,777	\$ 471,940	\$ 5,470,949	\$ 6,810,666	\$ 156,007	\$ 6,966,673
Investment Income	-	53,812	871,505	925,317	155,142	1,080,459
Bequest	10,750	-	-	10,750	-	10,750
Education-Related Expenses	-	-	-	-	(92,951)	(92,951)
OA&B Payouts and Related Expenses	-	-	(86,300)	(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>	<u>218,198</u>	<u>7,878,631</u>
Investment Loss	-	(14,316)	(539,609)	(553,925)	(17,482)	(571,407)
Education-Related Expenses	-	-	-	-	(64,797)	(64,797)
OA&B Payouts and Related Expenses	-	-	(84,275)	(84,275)	-	(84,275)
Ending balance, December 31, 2018	<u>\$ 878,527</u>	<u>\$ 511,436</u>	<u>\$ 5,632,270</u>	<u>\$ 7,022,233</u>	<u>\$ 135,919</u>	<u>\$ 7,158,152</u>

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.

**VASA ORDER OF AMERICA  
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018.

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.

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.

**VASA ORDER OF AMERICA  
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**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 organization located in Bishop Hill, Illinois. Grants to VOANA in 2018 and 2017 amounted to \$45,000 in each year.

**7. AVAILABILITY AND LIQUIDITY**

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

	2018	2017
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 109,405	\$ 159,011
Membership Receivable	34,919	45,727
Student Loans Receivable	1,410	3,000
Investments	7,302,599	7,968,684
Total Financial Assets	7,448,333	8,176,422
Less Amounts not Available to be Used Within One Year:		
With Donor Restrictions - Investments	(131,919)	(218,198)
Designated by the Board for Education-Related - Investments	(511,436)	(525,752)
Designated by the Board for OA&B Payouts - Investments	(5,632,270)	(6,256,154)
	(5,632,270)	(6,256,154)
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	\$ 1,816,063	\$ 1,920,268

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.



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

AUDITED  
FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

# VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

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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, 2018, 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, 2018 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 2017 financial statements and, in our report dated July 19, 2018, we expressed an unmodified opinion on those financial statements.

Cleveland, Ohio  
June 9, 2019

*H&J*  
Certified Public Accountants



**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	\$ 12,999	\$ 46,599
<b>INVESTMENTS</b>		
	589,148	605,995
<b>FIXED ASSETS</b>		
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	(253,696)	(252,762)
	16,464	17,398
	\$ 618,611	\$ 669,992
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued Expenses	\$ 1,200	\$ 1,200
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	28,263	62,797
Board-Designated	589,148	605,995
	617,411	668,792
	\$ 618,611	\$ 669,992

See independent auditor's report and accompanying notes.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

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

	<u>2018</u>	<u>2017</u>
PUBLIC SUPPORT & REVENUES		
PUBLIC SUPPORT		
Grand Lodge Grant	\$ 45,000	\$ 45,000
Other Contributions and Memorials	18,454	23,569
Donated Services	6,000	6,000
District and Local Lodge Contributions - General	3,627	8,169
District Lodge Contribution - Board-Designated	-	5,000
	<u>73,081</u>	<u>87,738</u>
REVENUES		
Other Income	<u>225</u>	<u>394</u>
TOTAL PUBLIC SUPPORT & REVENUES	73,306	88,132
EXPENSES		
Program	74,820	69,602
Management & General	23,754	21,383
Fund Raising	<u>9,266</u>	<u>9,032</u>
TOTAL EXPENSES	<u>107,840</u>	<u>100,017</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(34,534)	(11,885)
NON-OPERATING ACTIVITIES		
Investment Return	<u>(16,847)</u>	<u>71,970</u>
CHANGE IN NET ASSETS	(51,381)	60,085
NET ASSETS - Beginning	<u>668,792</u>	<u>608,707</u>
NET ASSETS - Ending	<u>\$ 617,411</u>	<u>\$ 668,792</u>

See independent auditor's report and accompanying notes.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

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

EXPENSES	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	2018	2017
Compensation	\$ 40,326	\$ 2,240	\$ 2,240	\$ 44,806	\$ 44,214
Property Maintenance	9,977	-	-	9,977	8,504
Professional Fees	-	9,089	-	9,089	10,623
Travel and Conference	4,429	4,428	-	8,857	3,041
Donated Professional Fees	-	6,000	-	6,000	6,000
Insurance	3,815	1,606	-	5,421	4,976
Utilities	5,158	-	-	5,158	4,671
Postage & Delivery	404	-	4,183	4,587	2,712
Office Expense	2,871	160	159	3,190	3,328
Property Tax	3,043	-	-	3,043	3,073
Printing & Photocopying	188	-	2,619	2,807	4,665
Exhibits and Marketing	1,677	-	-	1,677	546
Telephone	1,161	65	65	1,291	1,270
Depreciation	934	-	-	934	934
Temporary Help - Contract	837	-	-	837	864
Business Registration Fees	-	85	-	85	28
Bank Fees	-	81	-	81	118
Small Equipment	-	-	-	-	250
Donations	-	-	-	-	200
<b>TOTAL EXPENSE</b>	<b>\$ 74,820</b>	<b>\$ 23,754</b>	<b>\$ 9,266</b>	<b>\$ 107,840</b>	<b>\$ 100,017</b>

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (51,381)	\$ 60,085
Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities:		
Unrealized Loss (Gain)	29,941	(60,593)
Reinvested Interest and Dividends	(13,094)	(11,377)
Depreciation	934	934
Changes in Operating Assets and Liabilities:		
Decrease in Accrued Expenses	-	(30)
	(33,600)	(10,981)
Net Cash Used by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	-	(5,000)
	-	(5,000)
Net Cash Used by Investing Activities		
NET DECREASE IN CASH	(33,600)	(15,981)
CASH AND CASH EQUIVALENTS – Beginning	46,599	62,580
CASH AND CASH EQUIVALENTS – Ending	\$ 12,999	\$ 46,599

See independent auditor's report and accompanying notes.

## VASA ORDER OF AMERICA NATIONAL ARCHIVES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

#### 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.

The Archives' website is [www.vasaarchives.com](http://www.vasaarchives.com).

#### **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 financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-For-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under provisions of the Guide, net assets and revenues, and gains and losses are classified based 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.

##### 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, 2017, from which the summarized comparative total amounts were derived.

## VASA ORDER OF AMERICA NATIONAL ARCHIVES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

#### 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, 2018, 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.

#### 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.

#### 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.

#### 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. 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: <ul style="list-style-type: none"> <li>• Quoted prices for similar assets/liabilities in active markets;</li> <li>• Quoted prices for identical or similar assets in non-active markets;</li> <li>• Inputs other than quoted prices that are observable for the asset/liability; and,</li> <li>• Inputs that are derived principally from or corroborated by other observable market data.</li> </ul> |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data.   |

#### 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, 2018 or 2017.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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.

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, 2018 and 2017 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, 2018 and 2017.

CONTRIBUTION REVENUE

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

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 restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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 (2018 and 2017).

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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.

FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among services and supporting services benefitted. Such allocations are determined by management on an equitable basis. The expenses that are allocated include compensation, travel and conference, office expense and telephone on the basis of estimates of time and effort.

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs amounted to \$1,677 and \$546 for the years ended December 31, 2018 and 2017, respectively.

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.

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, 2018 and 2017.

SUBSEQUENT EVENTS

In preparing these financial statements, the Archives has evaluated events and transactions for potential recognition or disclosure through June 9, 2019, the date the financial statements were available to be issued.

RECENT ACCOUNTING PRONOUNCEMENTS

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Archives has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 Archives is currently evaluating the impact on the financial statements and the options of adopting using either a full retrospective or a modified approach.

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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 Archives for reporting periods beginning after December 15, 2019 with early adoption permitted. The Archives is currently evaluating the impact that ASU 2016-02 will have on its financial statements and will adopt the provisions upon the effective date.

**3. RELATED PARTY**

During 2018 and 2017, four of the Archives' board members were also board members of the Grand Lodge. Grants received from the Grand Lodge amounted to \$45,000 in each of the years ended December 31, 2018 and 2017, respectively.

**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:

	2018		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Board-Designated	\$ 589,148	\$ -	\$ 589,148

  

	2017		
	Unrestricted	Temporarily Restricted	Total
Board-Designated	\$ 605,955	\$ -	\$ 605,955

Changes in endowment net assets are as follows:

	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Endowment Net Assets - January 1, 2017	\$ 529,025	\$ -	\$ 529,025
Investment Return:			
Board-Designation	5,000	-	5,000
Net Appreciation/Depreciation (Realized & Unrealized)	71,970	-	71,970
Endowment Net Assets - December 31, 2017	605,995	-	605,995
Investment Return:			
Board-Designation	-	-	-
Net Appreciation/Depreciation (Realized & Unrealized)	(16,847)	-	(16,847)
Endowment Net Assets - December 31, 2018	\$ 589,148	\$ -	\$ 589,148

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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, 2018 and 2017.

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.

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**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:

	2018	2017
Balanced Index Fund	\$ 573,148	\$ 589,995
Cash Equivalents	16,000	16,000
	<u>\$ 589,148</u>	<u>\$ 605,995</u>

The cost of the above investment amounts to approximately \$529,000 and \$510,000 as of December 31, 2018 and 2017, respectively.

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

	2018	2017
Net Unrealized Gain (Loss)	\$ (29,941)	\$ 60,593
Dividends and Interest	13,094	11,377
	<u>\$ (16,847)</u>	<u>\$ 71,970</u>

Investment fees amounted to \$-0- for the years ended December 31, 2018 and 2017.

**6. AVAILABILITY AND LIQUIDITY**

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

	2018	2017
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 12,999	\$ 46,599
Investments	589,148	605,995
	<u>602,147</u>	<u>652,594</u>
Total Financial Assets	602,147	652,594
Less Amounts not Available to be Used Within One Year:		
Designated by the Board for Operating Reserve	<u>(589,148)</u>	<u>(605,995)</u>
	<u>(589,148)</u>	<u>(605,995)</u>
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	<u>\$ 12,999</u>	<u>\$ 46,599</u>

The Archives is substantially supported by individual contributions and grants from the Grand Lodge. As part of PDSA's 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 \$589,147 and \$605,995 as of December 31, 2018 and 2017, respectively.