

THE VASA STAR

Vasastjärnan

Publication of THE VASA ORDER OF AMERICA

Special Issue 2020
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Special Issue

Financial Reports

Vasa Order of America Grand Lodge

January 1 — December 31, 2019

Vasa National Archives

January 1 — December 31, 2019

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 2019 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

This year we are reminded how quickly change can occur. Financial markets are no exception as we have seen volatility in the stock and bond markets and difficult challenges for Central Banks. Financial institutions and economists expect lower returns in equity and bond markets for years to come. The Grand Lodge Executive Board is dedicated to dealing with the effects upon VOA Finances. The Grand Lodge and Finance Committees of the Grand Lodge and Archives cooperated in sending Request for Financial Management to four Financial Management firms in Q3, 2020. The Committee completed evaluation of the responses; results will be announced late in 2020 or early 2021.

The Vasa Order of America National Archives Inc. (VOANA) preserves the legacy of the Vasa Order and is an irreplaceable repository of Swedish and Nordic immigration. Your families are an integral part of that history. The Archives are a responsibility of all members. Our Archives building and property require routine upkeep and the Archives building and garage roofing is being replaced this year.

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.

My thanks to Grand Master Art Bjorkner and Archives President Bill Lundquist for their leadership and to the Executive boards of both organizations for donating their time to the Vasa Order of America.

In Truth and Unity
Keith Hanlon
Grand Treasurer



VASA ORDER OF AMERICA NATIONAL ARCHIVES INC.



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October, 2020

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 excellent financial health.

Thank you for your ongoing generous financial support especially during this global Coronavirus pandemic when not for profit organizations such the Vasa National Archives feel especially vulnerable. Membership support of the Heritage and Jul Gran Fundraisers as well as your many personal, District and Local Lodge donations are vitally important. Please review the information included in all Archive fundraising mailings regarding charitable estate planning on behalf of the VNA and e-mail me at wmlund1@gmail.com or call 810-845-5065 if you have any questions.

We continue making 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 continues to prepare for the future and Grand Master, Art Bjorkner and Keith Hanlon, GLT/VNA Treasurer as well as all the Grand Lodge Board members 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

and all Board Members of the VNA



**VASA ORDER OF AMERICA THE
GRAND LODGE**

**AUDITED
FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

VASA ORDER OF AMERICA THE GRAND LODGE

INDEX

DECEMBER 31, 2019
(WITH SUMMARIZED TOTALS FOR 2018)

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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, 2019, 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, 2019 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 2018 financial statements and, in our report dated July 22, 2019, we expressed an unmodified opinion on those financial statements.

September 7, 2020
Cleveland, Ohio

H&J
Certified Public Accountants



**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2019	2018
CURRENT ASSETS:				
Cash & Cash Equivalents	\$ 141,123	\$ -	\$ 141,123	\$ 109,405
Membership Receivable	17,564	-	17,564	34,919
Prepaid Expense	2,000	-	2,000	-
Student Loans Receivable	-	-	-	1,410
	160,687	-	160,687	145,734
INVESTMENTS	7,401,829	1,201,021	8,602,850	7,302,599
	\$ 7,562,516	\$ 1,201,021	\$ 8,763,537	\$ 7,448,333
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Prepaid Membership Assessment	17,568	-	17,568	19,188
	17,568	-	17,568	19,188
NET ASSETS				
Without Donor Restrictions:				
Operations	281,168	-	281,168	169,993
Board-Designated - Scholarship	915,212	-	915,212	511,436
Board-Designated - OA&B	6,348,568	-	6,348,568	5,632,270
	7,544,948	-	7,544,948	6,313,699
With Donor Restrictions	-	1,201,021	1,201,021	1,115,446
	7,544,948	1,201,021	8,745,969	7,429,145
	\$ 7,562,516	\$ 1,201,021	\$ 8,763,537	\$ 7,448,333

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2019	2018
PUBLIC SUPPORT & REVENUES				
PUBLIC SUPPORT				
Membership Assessments	\$ 169,745	\$ -	\$ 169,745	\$ 178,085
Donated Services and Occupancy	95,000	-	95,000	116,800
Education-Related Contributions	7,456	-	7,456	11,035
Other Income	4,093	-	4,093	5,336
Contributions	500	-	500	-
Recovery from Lawsuit Settlement	321	-	321	328
Net Assets Released from Restrictions	54,931	(54,931)	-	-
TOTAL PUBLIC SUPPORT & REVENUES	332,046	(54,931)	277,115	311,584
EXPENSES				
Program	269,500	-	269,500	308,557
Management & General	114,308	-	114,308	156,351
TOTAL EXPENSES	383,808	-	383,808	464,908
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(51,762)	(54,931)	(106,693)	(153,324)
NON-OPERATING ACTIVITIES:				
Investment Income (Loss)	1,283,011	140,506	1,423,517	(571,084)
CHANGE IN NET ASSETS	1,231,249	85,575	1,316,824	(724,408)
NET ASSETS – Beginning	6,313,699	1,115,446	7,429,145	8,153,553
NET ASSETS – Ending	\$ 7,544,948	\$ 1,201,021	\$ 8,745,969	\$ 7,429,145

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS 2018)

EXPENSES	PROGRAM SERVICES	MANAGEMENT & GENERAL	2019	2018
Donated Services	\$ 22,500	\$ 72,500	\$ 95,000	\$ 116,800
Old Age and Benefit Expenses	66,150	-	66,150	84,275
Scholarship and Education	56,931	-	56,931	56,177
Grant to VOANA	45,000	-	45,000	45,000
Vasa Star	42,445	-	42,445	42,187
Travel	13,056	13,063	26,119	4,123
Compensation	4,350	13,050	17,400	15,300
Office Expense	10,177	3,392	13,569	2,155
Professional Fees	-	8,400	8,400	8,400
Merchandise	6,106	-	6,106	17,142
Quadrennial Convention (2018-2022)	785	2,353	3,138	63,986
Grant - Swedish American of the Year	2,000	-	2,000	-
Insurance	-	1,550	1,550	1,486
Membership Expense - Stamp Program	-	-	-	7,877
TOTAL EXPENSE	\$ 269,500	\$ 114,308	\$ 383,808	\$ 464,908

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,316,824	\$ (724,408)
Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities:		
Unrealized Loss (Gain) on Investments	(1,331,985)	785,374
Reinvested Interest and Dividends, Net	(91,109)	(214,289)
Change in Operating Assets and Liabilities:		
Membership Receivable	17,355	10,808
Prepaid Expenses	(2,000)	-
Student Loan Receivable	1,410	1,590
Accounts Payable	-	(1,989)
Prepaid Assessment	(1,620)	(1,692)
Net Cash Used by Operating Activities	(91,125)	(144,606)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	129,789	95,000
Purchase of Investments	(6,946)	-
Net Cash Provided by Investing Activities	122,843	95,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,718	(49,606)
CASH AND CASH EQUIVALENTS – Beginning	109,405	159,011
CASH AND CASH EQUIVALENTS – Ending	\$ 141,123	\$ 109,405

See accompanying notes.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

MEASURE OF OPERATIONS

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

SUMMARIZED FINANCIAL INFORMATION

The financial statements and notes to financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Lodge' financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019, the Lodge's cash balance was fully insured. The Lodge has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

At times during the year, cash balances may exceed the related amount of federal depository insurance. The Lodge has cash balances in its banks in excess of amounts federally insured. There were no uninsured balances at December 31, 2019. The Lodge maintains its cash with high quality financial institutions which the Lodge believes limit these risks.

RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance amount is \$-0- at December 31, 2019 and 2018.

INVESTMENTS

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

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

FAIR VALUE MEASUREMENTS

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

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

These levels are:

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

STUDENT LOANS RECEIVABLE

The Lodge provides non-interest bearing loans to members in need of financial assistance to complete their higher education. Loans receivable represent outstanding balances of student loans at year-end. Each borrower is limited to the aggregate maximum amount of \$4,500 (annual maximum of \$1,500) and the total outstanding loans funded by the Lodge cannot exceed \$40,000. The loan repayment starts three months after the student ceases to be at least a half-time student at an institution of higher learning, and ending three years later. Payments are in equal quarterly installments. The balances are determined to be uncollectible are written off through a charge to the valuation allowance and a credit to loan receivable.

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, 2019 and 2018 and therefore there was no depreciation expense.

DEFERRED INCOME

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

REVENUE AND REVENUE RECOGNITION

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

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Lodge.

The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets.

When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

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

For each of the years ended December 31, 2019 and 2018, donated professional services consist of accounting, finance, investment management and membership database management services with an estimated fair value of \$95,000 and \$100,000, respectively.

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

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

FUNCTIONAL ALLOCATION OF EXPENSES

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

INCOME TAXES

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

ACCOUNTING PRONOUNCEMENTS ADOPTED IN 2019

During 2019, the Lodge adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not for-profit entities.

The Lodge adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019. There were no material changes to the recognition of contribution revenue during 2019.

During 2019, the Lodge adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash and cash equivalents within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented. There were no material changes to the presentation of restricted cash and cash equivalents during 2019.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

ACCOUNTING GUIDANCE PENDING ADOPTION

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. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2019. 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 No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Lodge is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

2. FAIR VALUE MEASUREMENT

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

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

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

	2019		
	Level 1	Level 2	Total
Cash Equivalents	\$ 585,548	\$ -	\$ 585,548
Equities	5,619,513	-	5,619,513
Fixed Income	1,243,616	-	1,243,616
Hedge Funds	-	885,121	885,121
Tangible Assets	-	269,052	269,052
	<u>\$ 7,448,677</u>	<u>\$ 1,154,173</u>	<u>\$ 8,602,850</u>
	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>

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

3. INVESTMENTS

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

Investments at December 31 consist of the following:

	2019		2018	
	Market	Cost	Market	Cost
Cash Equivalents	\$ 585,548	\$ 568,438	\$ 370,365	\$ 350,925
Equities	5,619,513	4,752,517	4,537,666	4,909,622
Fixed Income	1,243,616	1,192,686	1,326,469	1,337,890
Hedge Funds	885,121	893,437	829,452	894,802
Tangible Assets	269,052	332,922	238,647	316,363
	<u>\$ 8,602,850</u>	<u>\$ 7,740,000</u>	<u>\$ 7,302,599</u>	<u>\$ 7,809,602</u>

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

	2019	2018
Interest and Dividends	\$ 155,985	\$ 169,119
Realized Gain (Loss)	(33,123)	69,286
Unrealized Gains (Loss)	1,332,470	(785,374)
Investment Management Fees	(31,815)	(24,115)
	<u>\$ 1,423,517</u>	<u>\$ (571,084)</u>

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 \$221,494 and \$135,919 at December 31, 2019 and 2018, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS - ENDOWMENT

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

	2019 and 2018
Education-Related Endowments from:	
Bertha Evelyn Kalm	\$ 498,860
Edith Gauch Trust	236,667
Various	101,000
Oscar & Mildred Larson	100,000
District Lodge Lake Michigan	23,000
Bo and Sigrid Bjorling	10,000
Irma and Knute Carlson	10,000
	<u>\$ 979,527</u>

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

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Changes in endowment net assets are as follows:

	With Donor Restrictions (Endowment)	Board- Designated - Scholarship	Board- Designated - OA&B	Endowment Total	Non-Endowment	
					With Donor Restrictions - Scholarship	With Donor Restrictions Total
Beginning balance, January 1, 2018	\$ 979,527	\$ 525,752	\$ 6,256,154	\$ 7,761,433	\$ 218,198	\$ 1,197,725
Investment Gain (Loss)	-	(14,316)	(539,609)	(553,925)	(17,482)	(17,482)
Education Fund-Related Expenses	-	-	-	-	-	-
Education-Related Expenses	-	-	-	-	(64,797)	(64,797)
OA&B Payouts and Related Expenses	-	-	(84,275)	(84,275)	-	-
Ending balance, December 31, 2018	979,527	511,436	5,632,270	7,123,233	135,919	1,115,446
Investment Gain (Loss)	-	403,776	782,448	1,186,224	140,506	140,506
Education-Related Expenses	-	-	-	-	(54,931)	(54,931)
OA&B Payouts and Related Expenses	-	-	(66,150)	(66,150)	-	-
Ending balance, December 31, 2019	<u>\$ 979,527</u>	<u>\$ 915,212</u>	<u>\$ 6,348,568</u>	<u>\$ 8,243,307</u>	<u>\$ 221,494</u>	<u>\$ 1,201,021</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 net assets with donor restriction (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to donor-restricted endowments, and (c) additions to the donor-restricted endowments made in accordance with explicit donor instructions stipulated in the gift instruments and d) the appreciation on donor-restricted endowment funds until those amounts are made available for expenditure in the manner consistent with the donor gift instrument and the standard prudence prescribed by UPMIFA. The remaining portion of the donor-restricted endowment fund that is not classified as endowment-type funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Lodge in a manner consistent with the standard prudence prescribed by UPMIFA. The Lodge considered all amounts earned on the endowment fund to be appropriated for current use, and amounts are released from restriction upon expenditure.

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

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

If the market value of any fund classified as an endowment at year end is less than the amount determined to be restricted under UPMIFA, the deficit which cannot be funded from net assets with donor restrictions, or unspent earnings of the fund, is reported as a reduction in net assets without restrictions. There were no such deficiencies noted for the years ended December 31, 2019 and 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.

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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.

6. RELATED PARTY

As prescribed by the Lodge's Constitution, four of the Lodge's board members are also board members of Vasa Order of America National Lodge, Inc. ("VOANA"), a 501(c)(3) charitable organization located in Bishop Hill, Illinois. Grants to VOANA in 2019 and 2018 amounted to \$45,000 in each year.

7. AVAILABILITY AND LIQUIDITY

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

	2019	2018
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 141,123	\$ 109,405
Membership Receivable	17,564	34,919
Student Loans Receivable	-	1,410
Investments	8,602,850	7,302,599
Total Financial Assets	8,761,537	7,448,333
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	\$ 3,129,267	\$ 1,192,179

**VASA ORDER OF AMERICA
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

8. SUBSEQUENT EVENTS

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in US markets. The Lodge is dependent upon membership dues, investment earnings and volunteers and, while management believes the Lodge is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Lodge and its financial statements is undetermined at this time.

In preparing these financial statements, the Lodge has evaluated events and transactions for potential recognition or disclosure through September 7, 2020, the date the financial statements were available to be issued.



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

AUDITED
FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

VASA ORDER OF AMERICA
NATIONAL ARCHIVES, INC.

INDEX

DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2019, 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 National Archives, Inc. as of December 31, 2019 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 2018 financial statements and, in our report dated June 9, 2019, we expressed an unmodified opinion on those financial statements.

Emphasis of Matter Regarding Correction of Errors

As discussed in Note 9 to the financial statements, Vasa Order of America National Archives, Inc. determined that several donor gifts previously reported as board-designated assets are more appropriately reported as net assets with donor restrictions (endowment) net assets in the statements of financial position. As a result, the 2018 financial statements have been restated for the impacts of this reporting change. Our opinion is not modified for this matter.

Cleveland, Ohio
September 16, 2020


Certified Public Accountants



VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2019</u>	<u>2018</u>
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 35,090	\$ -	\$ 35,090	\$ 28,999
INVESTMENTS	300,693	397,331	698,024	573,148
FIXED ASSETS	<u>15,530</u>	<u>-</u>	<u>15,530</u>	<u>16,464</u>
	<u>\$ 351,313</u>	<u>\$ 397,331</u>	<u>\$ 748,644</u>	<u>\$ 618,611</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued Expenses	\$ 1,200	\$ -	\$ 1,200	\$ 1,200
Accrued Payroll and Payroll Taxes	<u>1,011</u>	<u>-</u>	<u>1,011</u>	<u>-</u>
	2,211	-	2,211	1,200
NET ASSETS				
Without Donor Restrictions:				
Undesignated	48,409	-	48,409	44,263
Board-Designated	300,693	-	300,693	175,817
With Donor Restrictions	<u>-</u>	<u>397,331</u>	<u>397,331</u>	<u>397,331</u>
	<u>349,102</u>	<u>397,331</u>	<u>746,433</u>	<u>617,411</u>
	<u>\$ 351,313</u>	<u>\$ 397,331</u>	<u>\$ 748,644</u>	<u>\$ 618,611</u>

See accompanying notes.

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2019	2018
PUBLIC SUPPORT & REVENUE				
PUBLIC SUPPORT				
Contributions and Memorials - General	\$ 57,442	\$ -	\$ 57,442	\$ 18,454
Grand Lodge Grant	45,000	-	45,000	45,000
Contributions - District and Local Lodges	9,305	-	9,305	3,627
Donated Services	6,000	-	6,000	6,000
Governmental	5,000	-	5,000	-
Donated Material	690	-	690	-
	<u>123,437</u>	<u>-</u>	<u>123,437</u>	<u>73,081</u>
REVENUE				
Other Income	735	-	735	225
	<u>735</u>	<u>-</u>	<u>735</u>	<u>225</u>
TOTAL PUBLIC SUPPORT & REVENUE	124,172	-	124,172	73,306
EXPENSES				
Program	87,525	-	87,525	74,820
Management & General	23,033	-	23,033	23,754
Fund Raising	9,485	-	9,485	9,266
	<u>120,043</u>	<u>-</u>	<u>120,043</u>	<u>107,840</u>
TOTAL EXPENSES	120,043	-	120,043	107,840
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	4,129	-	4,129	(34,534)
NON-OPERATING ACTIVITIES				
Investment Return	124,893	-	124,893	(16,847)
	<u>124,893</u>	<u>-</u>	<u>124,893</u>	<u>(16,847)</u>
CHANGE IN NET ASSETS	129,022	-	129,022	(51,381)
NET ASSETS - Beginning	220,080	397,331	617,411	668,792
	<u>220,080</u>	<u>397,331</u>	<u>617,411</u>	<u>668,792</u>
NET ASSETS - Ending	\$ 349,102	\$ 397,331	\$ 746,433	\$ 617,411
	<u>\$ 349,102</u>	<u>\$ 397,331</u>	<u>\$ 746,433</u>	<u>\$ 617,411</u>

See accompanying notes.

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

EXPENSES	PROGRAM	MANAGEMENT	FUNDRAISING	2019	2018
	SERVICES	& GENERAL			
Salaries	\$ 40,270	\$ 2,237	\$ 2,237	\$ 44,744	\$ 41,101
Digitization	10,000	-	-	10,000	-
Professional Fees	-	9,336	-	9,336	9,089
Postage & Delivery	471	-	6,657	7,128	4,587
Property Maintenance	7,102	-	-	7,102	9,977
Donated Professional Fees	-	6,000	-	6,000	6,000
Travel and Conference	2,874	2,873	-	5,747	8,857
Insurance	4,045	1,645	-	5,690	5,421
Office Expense	5,113	284	284	5,681	3,190
Utilities	5,311	-	-	5,311	5,158
Payroll Taxes	3,446	192	191	3,829	3,345
Property Tax	3,106	-	-	3,106	3,043
Exhibits and Marketing	3,048	-	-	3,048	1,677
Telephone	1,096	117	116	1,329	1,291
Depreciation	934	-	-	934	934
Temporary Help - Contract	709	-	-	709	837
Business Registration Fees	-	160	-	160	85
Printing & Photocopying	-	143	-	143	2,807
Bank Fees	-	46	-	46	81
TOTAL EXPENSE	\$ 87,525	\$ 23,033	\$ 9,485	\$ 120,043	\$ 107,480

See accompanying notes.

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 129,022	\$ (51,381)
Adjustments to Reconcile Changes in Net Assets to Cash Provided by (Used by) Operating Activities:		
Unrealized Loss (Gain)	(109,177)	29,941
Reinvested Interest and Dividends	(15,699)	(13,094)
Depreciation	934	934
Changes in Operating Assets and Liabilities:		
Increase in Accrued Payroll and Payroll Taxes	<u>1,011</u>	<u>-</u>
Net Cash Provided by (Used by) Operating Activities	6,091	(33,600)
NET INCREASE (DECREASE) IN CASH	6,091	(33,600)
CASH AND CASH EQUIVALENTS - Beginning	<u>28,999</u>	<u>62,599</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 35,090</u>	<u>\$ 28,999</u>

See accompanying notes.

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NATURE OF OPERATIONS

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESBASIS OF PRESENTATION

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

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

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

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

MEASURE OF OPERATIONS

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

SUMMARIZED FINANCIAL INFORMATION

The financial statements and notes to financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Archives' financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019, 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.

At times during the year, cash balances may exceed the related amount of federal depository insurance. The Archives has cash balances in its banks in excess of amounts federally insured. There were no uninsured balances at December 31, 2019. The Archives maintains its cash with high quality financial institutions which the Archives believes limit these risks.

RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance amount is \$-0- at December 31, 2019 and 2018.

INVESTMENTS

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

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

FAIR VALUE MEASUREMENTS

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

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"> • Quoted prices for similar assets/liabilities in active markets; • Quoted prices for identical or similar assets in non-active markets; • Inputs other than quoted prices that are observable for the asset/liability; and, • Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

VASA ORDER OF AMERICA NATIONAL ARCHIVES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

COLLECTIONS

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

The collections are made up of artifacts of historical significance, furniture, books and art objects that are held for educational, research and curatorial purposes. Each of the items is 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, 2019 and 2018 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, 2019 and 2018.

REVENUE AND REVENUE RECOGNITION

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

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

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

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

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

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

Donated professional services consist of accounting services with an estimated fair value of \$6,000 (2019 and 2018).

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

FUNCTIONAL ALLOCATION OF EXPENSES

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

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs are nominal in 2019 and 2018.

INCOME TAXES

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

ACCOUNTING PRONOUNCEMENTS ADOPTED IN 2019

During 2019, the Archives adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The Archives adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019. There were no material changes to the recognition of contribution revenue during 2019.

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During 2019, the Archives adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash and cash equivalents within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented. There were no material changes to the presentation of restricted cash and cash equivalents during 2019.

ACCOUNTING GUIDANCE PENDING ADOPTION

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. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2019. 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.

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

3. RELATED PARTY

During 2019 and 2018, 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, 2019 and 2018, respectively.

4. ENDOWMENT

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

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

Endowment net assets consist of the following at December 31:

	2019		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Board-Designated	\$ 300,693	\$ -	\$ 300,693
Donor-Restricted	-	397,331	397,331
	\$ 300,693	\$ 397,331	\$ 698,024
	2018		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
Board-Designated	\$ 175,817	\$ -	\$ 175,817
Donor-Restricted	-	397,331	397,331
	\$ 175,817	\$ 397,331	\$ 573,148

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

	2019 and 2018
John Werner	\$ 262,331
District 12 Golden Gate RC	80,000
Estate of Bertil G. Winstrom	50,000
Nobel Lodge 288	5,000
	\$ 397,331

Changes in endowment net assets are as follows:

		2019		
		Without Donor Restrictions	With Donor Restrictions	Total
	Board-Designated	\$ 300,693	\$ -	\$ 300,693
	Donor-Restricted	-	397,331	397,331
		\$ 300,693	\$ 397,331	\$ 698,024
		2018		
		Without Donor Restrictions	With Donor Restrictions	Total
	Board-Designated	\$ 175,817	\$ -	\$ 175,817
	Donor-Restricted	-	397,331	397,331
		\$ 175,817	\$ 397,331	\$ 573,148

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

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

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

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If the market value of any fund classified as an endowment at year end is less than the amount determined to be restricted under UPMIFA, the deficit which cannot be funded from net assets with donor restrictions, or unspent earnings of the fund, is reported as a reduction in net assets without restrictions. There were no such deficiencies noted for the years ended December 31, 2019 and 2018.

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

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

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

5. FAIR VALUE MEASUREMENT

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

		Fair Value Measurements Using:			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At December 31, 2019:					
	Mutual Funds	\$ 698,024	\$ -	\$ -	\$ 698,024
At December 31, 2018:					
	Mutual Funds	\$ 573,148	\$ -	\$ -	\$ 573,148

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6. INVESTMENTS

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

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

	2019	2018
Balanced Index Fund	<u>\$ 698,024</u>	<u>\$ 573,148</u>

The cost of the above investment amounts to approximately \$529,000 and \$510,000 as of December 31, 2019 and 2018, respectively.

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

	2019	2018
Net Unrealized Gain (Loss)	\$ 109,194	\$ (29,941)
Dividends and Interest	15,699	13,094
Investment Expenses	-	-
	<u>\$ 124,893</u>	<u>\$ (16,847)</u>

7. FIXED ASSETS

Fixed assets at December 31 consist of the following:

	2019	2018
Land	\$ 4,160	\$ 4,160
Building Improvements	226,380	226,380
Furniture and Fixtures	\$ 39,620	\$ 39,620
Less: Accumulated Depreciation	270,160	270,160
	<u>(254,630)</u>	<u>(253,696)</u>
	<u>\$ 15,530</u>	<u>\$ 16,464</u>

Depreciation expense in each of the years ended December 31, 2019 and 2018 amounted to \$934.

8. AVAILABILITY AND LIQUIDITY

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

	2019	2018
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 35,090	\$ 28,999
Investments	<u>698,024</u>	<u>573,148</u>
Total Financial Assets	733,114	602,147
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	(397,331)	(397,331)
Designated by the Board for Operating Reserve	<u>(300,693)</u>	<u>(175,817)</u>
	<u>(698,024)</u>	<u>(573,148)</u>
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	<u>\$ 35,090</u>	<u>\$ 28,999</u>

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The Archives is substantially supported by individual contributions, investment earnings and grants from the Grand Lodge. As part of the Archives' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Archives invests its cash in excess of daily requirements in interest-bearing money market funds. Additionally, there is a fund established by the governing board that may be drawn upon the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The balance in this fund was \$300,693 and \$175,817 as of December 31, 2019 and 2018, respectively.

9. PRIOR PERIOD ADJUSTMENT

During 2019, management determined that certain historical gifts are more appropriately classified as net assets with donor restrictions (endowment).

The effects of this adjustment on the beginning balances at January 1, 2018 are as follows:

	<u>As Previously Stated</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Net Assets Without Donor Restrictions	\$ 668,792	\$ (397,331)	\$ 271,461
Net Assets With Donor Restrictions	\$ -	\$ 397,331	\$ 397,331

10. SUBSEQUENT EVENTS

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in US markets. The Archives is dependent upon contributions and volunteers and, while management believes the Archives is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Archives and its financial statements is undetermined at this time.

In preparing these financial statements, the Archives has evaluated events and transactions for potential recognition or disclosure through September 16, 2020, the date the financial statements were available to be issued.