

# THE VASA STAR

## Vasastjärnan

Publication of THE VASA ORDER OF AMERICA

Special Issue 2017  
[www.vasaorder.org](http://www.vasaorder.org)



## Special Issue

### Financial Reports

**Vasa Order of America Grand Lodge**

January 1 — December 31, 2016

**Vasa National Archives**

January 1 — December 31, 2016

Vasa Brothers and Sisters,

It is time to report the 2016 financial status of both the Grand Lodge and the Vasa National Archives. The reports cover the Fiscal Year January 1 - December 31, 2016. This year we do not yet have the tax returns for both organizations ready to include in this issue of Vasa Star, but will publish them as soon as they are available.

Please review these documents and if you have any questions you may contact me or, for more detailed information, please contact Grand Treasurer Keith Hanlon.

Both reports have been audited by the independent auditing firm H&J CPA in Concord, OH. This is the fourth year in a row that we have had a full audit of both organizations.

GT Keith has worked very hard over the last seven years to bring the accounting of both the Grand Lodge and Vasa National Archives up to be fully compliant with GAAP (Generally Accepted Accounting Principles) standard of the United States. We owe him much gratitude for his dedicated work.

In Truth and Unity,

Tore Kellgren, Grand Master



Vasasyskon,

Det är dags att rapportera 2016 års finansiella status för Storlogen och Vasa Arkivet. Rapporterna täcker räkenskapsåret 1 januari – 31 december 2016. I år har vi inte skatte-deklarationerna för både Storlogen och Vasa Arkivet färdiga att inkludera i denna utgåva av Vasastjärnan, utan kommer att publicera dem så fort de blir tillgängliga.

Granska gärna dokumenten och om du har några frågor kan du kontakta mig eller, för mer detaljerad information, kontakta gärna Storlogeassör Keith Hanlon.

Båda rapporterna har granskats av revisionsfirman H & J CPA i Concord, Ohio. Detta är fjärde året i rad vi har gjort en full revision av båda organisationerna.

Storlogeassören Keith har arbetat mycket hårt under de senaste sju åren för att få både Storlogens och Arkivets ekonomiska redovisningar att helt följa den Amerikanska standarden GAAP (Allmänt Accepterade Redovisningsprinciper). Vi är skyldiga honom ett mycket stort tack för hans hängivna arbete.

I Sanning och Enighet,

Tore Kellgren, Stormästare



# VASA ORDER OF AMERICA NATIONAL ARCHIVES INC.



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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 has grown exponentially toward financial health.

I am grateful for the ongoing financial support of the Grand Lodge as well as our many members who generously donate annually via the Heritage and Jul Gran Fundraisers. Soon you will receive information on how you can charitably estate plan on behalf of the VNA.

Since 2015 we have hired a new archivist and we continue completing overdue maintenance and make necessary improvements. Our electronic upgrades now make it possible for researchers to efficiently obtain the information they request on line or in person.

Our current VNA Board members offer assistance addressing daily issues as well as prepare for the future. The current Grand Lodge Board under Tore Kellgren's leadership and Keith Hanlon, GLT/VNA Treasurer remain steadfast in their support of the needs of the Archives.

The VNA now plays a vibrant role in the historical community of Bishop Hill. Our archivist, Kathy Cuff is actively engaged in community event planning. Participation in the life of the village has significantly increased interest in the Archives as well as 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

## Independent Auditor 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 make the 2016 Financial Statements available on our website.

A generous gift from the estate of Evelyn Bertha Kalm to the Education Fund provided a foundation for the Fund. In addition, excellent performance of our investment portfolios and prudent management of operating funds resulted in significant improvement in our 2016 financial position. The sound condition of our investment portfolios assures support of our major programs:

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

With the leadership of Past Grand Master Bill Lundquist and direction by Archivist Kathy Cuff, the Vasa National Archives has become increasingly relevant to the history of the Vasa Order of America and Swedish immigration.

I thank Grand Master Tore Kellgren and Past Grand Master Bill Lundquist for their leadership and the Executive boards of both organizations for their hard work and collegial friendship.

I look forward to meeting many of you at the Grand Lodge Convention in Sacramento California.

In Truth and Unity  
Keith Hanlon  
Grand Treasurer



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

## FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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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, 2016, and the related statements of activities 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, 2016 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 2015 financial statements and, in our report dated October 8, 2016, we expressed an unmodified opinion on those financial statements.

July 11, 2017  
Cleveland, Ohio

H•J  
Certified Public Accountants

7555 Fredle Dr.  
Suite 110

Concord, OH 44077

Phone: 440-951-2997  
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**VASA ORDER OF AMERICA  
THE GRAND LODGE**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	PERMANENTLY <u>RESTRICTED</u>	UNRESTRICTED	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash & Cash Equivalents	\$ -	\$ 249,264	\$ 249,264	\$ 266,772
Student Loans Receivable	-	1,850	1,850	3,264
Asset Recovery Settlement Receivable	-	-	-	167,313
	<u>-</u>	<u>251,114</u>	<u>251,114</u>	<u>437,349</u>
<b>INVESTMENTS</b>	<u>379,667</u>	<u>6,584,107</u>	<u>6,963,774</u>	<u>6,480,230</u>
	<u><u>\$ 379,667</u></u>	<u><u>\$ 6,835,221</u></u>	<u><u>\$ 7,214,888</u></u>	<u><u>\$ 6,917,579</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ -	\$ 7,328	\$ 7,328	\$ -
Prepaid Membership Assessment	-	22,518	22,518	23,120
Grant Payable to VOANA	-	-	-	45,000
	<u>-</u>	<u>29,846</u>	<u>29,846</u>	<u>68,120</u>
<b>NET ASSETS</b>				
Unrestricted:				
Operations	-	409,631	409,631	780,399
Board-Designated - Scholarship	-	924,795	924,795	490,403
Board-Designated - OA&B	-	5,470,949	5,470,949	5,198,990
	<u>-</u>	<u>6,805,375</u>	<u>6,805,375</u>	<u>6,469,792</u>
Temporarily Restricted			-	-
Permanently Restricted	<u>379,667</u>	<u>-</u>	<u>379,667</u>	<u>379,667</u>
	<u>379,667</u>	<u>6,805,375</u>	<u>7,185,042</u>	<u>6,849,459</u>
	<u><u>\$ 379,667</u></u>	<u><u>\$ 6,835,221</u></u>	<u><u>\$ 7,214,888</u></u>	<u><u>\$ 6,917,579</u></u>

See independent auditor's report and accompanying notes.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
DECEMBER 31, 2015)

	PERMANENTLY RESTRICTED	UNRESTRICTED	2016	2015
PUBLIC SUPPORT & REVENUES				
PUBLIC SUPPORT				
Membership Assessments	\$ -	\$ 184,462	\$ 184,462	\$ 171,803
Donated Services and Occupancy	-	108,400	108,400	68,400
Special Event	-	9,465	9,465	11,102
Other Income	-	5,743	5,743	3,213
Contributions	-	125	125	2,088
Bequest	-	-	-	63,110
<b>TOTAL PUBLIC SUPPORT &amp; REVENUES</b>	<b>-</b>	<b>308,195</b>	<b>308,195</b>	<b>319,716</b>
EXPENSES				
Program Services:				
Old Age and Benefit Expenses	-	59,200	59,200	74,370
Scholarship and Education	-	51,111	51,111	37,173
Vasa Star	-	45,887	45,887	41,074
Grant to VOANA	-	35,000	35,000	-
Travel	-	13,857	13,857	15,740
Printing - Constitution	-	-	-	13,411
Total Program Services	-	205,055	205,055	181,768
Support Services:				
Donated Services and Occupancy	-	108,400	108,400	68,400
Office Expense	-	15,817	15,817	14,067
Compensation	-	13,200	13,200	13,200
Professional Fees	-	5,950	5,950	14,094
Travel	-	4,619	4,619	9,334
Total Support Services	-	147,986	147,986	119,095
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>353,041</b>	<b>353,041</b>	<b>300,863</b>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	-	(44,846)	(44,846)	18,853
NON-OPERATING ACTIVITIES:				
Investment Income(Loss)	-	380,429	380,429	(27,527)
Asset Recovery Settlement	-	-	-	167,313
Refund of Investment Fees	-	-	-	150,898
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>-</b>	<b>380,429</b>	<b>380,429</b>	<b>290,684</b>
CHANGE IN NET ASSETS	-	335,583	335,583	309,537
<b>NET ASSETS – Beginning</b>	<b>379,667</b>	<b>6,469,792</b>	<b>6,849,459</b>	<b>6,539,922</b>
<b>NET ASSETS – Ending</b>	<b>\$ 379,667</b>	<b>\$ 6,805,375</b>	<b>\$ 7,185,042</b>	<b>\$ 6,849,459</b>

See independent auditor's report and accompanying notes.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
DECEMBER 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 335,583	\$ 309,537
Unrealized (Gain) Loss on Investments	(208,053)	462,781
Reinvested Interest and Dividends	(191,002)	(131,238)
Adjustments to Reconcile Changes in Net Assets to Cash Provided (Used by) by Operating Activities:		
Decrease in Student Loan Receivable	1,414	1,625
Increase (Decrease) in Accounts Payable	7,328	(4,000)
Increase (Decrease) in Prepaid Assessment	(602)	23,120
Decrease in Grant Payable to VOANA	(45,000)	-
Net Cash Provided by (Used by) Operating Activities	(100,332)	661,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in Asset Recovery Receivable	167,313	(167,313)
Sales of Investments	95,000	65,000
Purchases of Investments	(179,489)	(518,227)
Net Cash Provided by (Used by) Investing Activities	82,824	(620,540)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,508)	41,285
CASH AND CASH EQUIVALENTS – Beginning	266,772	225,487
CASH AND CASH EQUIVALENTS – Ending	\$ 249,264	\$ 266,772

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES:

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 ACCOUNTING

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

BASIS OF PRESENTATION

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

PRIOR-PERIOD INFORMATION

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Lodge's financial statements for the year ended December 31, 2015, from which the summarized comparative total amounts were derived.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

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, 2016 and 2015.

LOANS RECEIVABLE

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

CASH 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, 2016, 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.

INVESTMENTS

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

PROPERTY AND EQUIPMENT

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

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

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, 2016 and 2015 and therefore there was no depreciation expense.

MEMBER DUES

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

CONTRIBUTIONS

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

CONTRIBUTED SERVICES AND MATERIAL

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

For each of the years ended December 31, 2016 and 2015, 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 \$8,400 in 2016 and 2015.

USE OF ESTIMATES

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

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs amounted to \$-0- in 2016 and 2015.

FUNCTIONAL ALLOCATION OF EXPENSES

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

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CONCENTRATIONS

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

INCOME TAXES

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

FAIR VALUE MEASUREMENT

FASB ASC Topic *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurements and Disclosures* Topic, the Lodge has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For the Lodge, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market that the Lodge has the ability to access (Level 1). As of and for the year ended December 31, 2016 and 2015, only **the Lodge's investments**, as described in the notes to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurements and Disclosures* Topic of FASB ASC. All of the carrying amounts of **the Lodge's other assets and liabilities on its statement of financial position approximate fair value** because of the short maturity of those instruments.

SUBSEQUENT EVENTS

In preparing these financial statements, the Lodge has evaluated events and transactions for potential recognition or disclosure through July 11, 2017, the date the financial statements were available to be issued.

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

**2. INVESTMENTS**

Investments at December 31 consist of the following:

	2016		2015	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Cash Equivalents	\$ 184,376	\$ 184,376	\$ 414,416	\$ 414,416
Equities	4,413,525	3,988,994	3,868,749	3,636,033
Fixed Income	1,664,697	1,709,045	1,607,715	1,671,381
Hedge Funds	301,251	305,570	252,355	304,530
Real Estate	244,887	257,079	246,928	249,718
Tangible Assets	155,038	197,684	90,067	144,075
	<u>\$ 6,963,774</u>	<u>\$ 6,642,748</u>	<u>\$ 6,480,230</u>	<u>\$ 6,420,153</u>

Investment fees in the amount of approximately \$19,000 (2016) and \$20,000 (2015) are netted with "Investment Income" on the Statement of Activities.

**3. TEMPORARILY RESTRICTED NET ASSETS**

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

There were no temporarily restricted net assets at December 31, 2016 and 2015.

**4. PERMANENTLY RESTRICTED NET ASSETS**

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

	2016	2015
Edith Gauch Trust Endowment	\$ 236,667	\$ 236,667
Oscar & Mildred Larson Endowment	100,000	100,000
District Lodge Lake Michigan Endowment	23,000	23,000
Bo and Sigrid Bjorling Endowment	10,000	10,000
Irma and Knute Carlson Endowment	10,000	10,000
	<u>\$ 379,667</u>	<u>\$ 379,667</u>

**5. ENDOWMENT**

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

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

The Lodge's endowment consists of donors' restricted endowments, funds designated by the Board of Directors to function as an endowment for Old Age and Benefit Fund (OA&B) payments, and funds designated by the Board of Directors for scholarship purposes.

Changes in endowment net assets are as follows:

	Donor- Restricted (Permanently Restricted)	Board- Designated - Scholarship (Unrestricted)	Board- Designated - OA&B (Unrestricted)	Total
Beginning balance, January 1, 2015	\$ 384,627	\$ 440,267	\$ 4,949,749	\$ 5,774,643
Interest and Dividends		7,577	267,448	275,025
Net Unrealized and Realized Gains			83,556	83,556
Board-Designations		76,263		76,263
Education-Related Expenses	(4,960)	(33,704)		(38,664)
OA&B Payouts and Related Expenses			(101,763)	(101,763)
Ending balance, December 31, 2015	379,667	490,403	5,198,990	6,069,060
Interest and Dividends		18,410	122,758	141,168
Net Unrealized and Realized Gains		49,481	208,378	257,859
Board-Designations		397,647		397,647
Stamp Program Contributions		9,465		9,465
Education Fund-Related Expenses		(40,611)		(40,611)
OA&B Payouts and Related Expenses			(59,177)	(59,177)
Ending balance, December 31, 2016	<u>\$ 379,667</u>	<u>\$ 924,795</u>	<u>\$ 5,470,949</u>	<u>\$ 6,775,411</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.

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

**VASA ORDER OF AMERICA  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

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, 2016.

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 VBAX-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  
THE GRAND LODGE**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

**6. NON-OPERATING INVESTMENT RECOVERIES**

In 2015, the Lodge was refunded \$150,898 in investment fees from its investment management company, representing fee overcharges dating from the inception of the Lodge's contractual relationship through December 31, 2015.

In addition, the Lodge was subject to the misappropriation of its investments in 2009. Litigation relating to the misappropriation concluded in September 2015 and the Lodge was awarded \$167,313.

**7. RELATED PARTY**

As prescribed by the Lodge's Constitution, four of the Lodge's Board members are also board members of Vasa Order of America National Archives, Inc. ("VOANA"), a 501(c)(3) charitable Lodge located in Bishop Hill, Illinois. Grants to VOANA in 2016 and 2015 amounted to \$35,000 and \$-0-, respectively.



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

## FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**7555 Fredle Dr.  
Suite 110**

**Concord, OH 44077**

**Phone: 440-951-2997  
Fax: 866-359-4674**

### ***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, 2016 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 2015 financial statements and, in our report dated July 14, 2016, we expressed an unmodified opinion on those financial statements.

Cleveland, Ohio  
May 23, 2017

*H&J*  
*Certified Public Accountants*



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**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 62,580	\$ 43,686
Grand Lodge Grant Receivable	-	45,000
	62,580	88,686
INVESTMENTS	529,025	214,602
FIXED ASSETS		
Land	4,160	4,160
Building and Building Improvements	226,380	226,380
Office and Archival Equipment	39,620	39,620
	270,160	270,160
Accumulated Depreciation	(251,828)	(250,894)
	18,332	19,266
	\$ 609,937	\$ 322,554
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Expenses	\$ 1,230	\$ 2,378
NET ASSETS		
Unrestricted:		
Undesignated	79,682	105,574
Board-Designated	529,025	214,602
	608,707	320,176
	\$ 609,937	\$ 322,554

See independent auditor's report and accompanying notes.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR  
ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
PUBLIC SUPPORT & REVENUES		
PUBLIC SUPPORT		
Grand Lodge Grant	\$ 35,000	\$ -
Other Contributions and Memorials	20,751	19,415
Donated Services	6,000	6,000
District and Local Lodge Contributions	<u>5,779</u>	<u>7,607</u>
	67,530	33,022
REVENUES		
Other Income	<u>600</u>	<u>320</u>
TOTAL PUBLIC SUPPORT & REVENUES	68,130	33,342
EXPENSES		
Program	70,819	68,861
Management & General	16,333	22,912
Fund Raising	<u>6,870</u>	<u>7,391</u>
TOTAL EXPENSES	<u>94,022</u>	<u>99,164</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(25,892)	(65,822)
NON-OPERATING ACTIVITIES		
Recovery from Lawsuit Settlement	289,164	-
Investment Return	<u>25,259</u>	<u>1,014</u>
TOTAL NON-OPERATING ACTIVITIES	<u>314,423</u>	<u>1,014</u>
CHANGE IN NET ASSETS	288,531	(64,808)
NET ASSETS – Beginning	<u>320,176</u>	<u>384,984</u>
NET ASSETS – Ending	<u>\$ 608,707</u>	<u>\$ 320,176</u>

See independent auditor's report and accompanying notes.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR  
ENDED DECEMBER 31, 2015)

	Program Services	Management & General	Fundraising	2016	2015
EXPENSES					
Compensation	\$ 41,729	\$ -	\$ -	\$ 41,729	\$ 28,605
Professional Fees	-	8,570	-	8,570	13,601
Property Maintenance	7,024	-	-	7,024	13,240
Donated Professional Fees	-	6,000	-	6,000	6,000
Utilities	4,873	-	-	4,873	4,556
Insurance	3,275	1,488	-	4,763	4,705
Printing & Photocopying	-	-	4,153	4,153	2,359
Office Expense	3,726	-	-	3,726	2,106
Travel and Conference	3,219	-	-	3,219	3,473
Property Tax	3,102	-	-	3,102	2,983
Postage & Delivery	175	-	2,717	2,892	5,573
Website Development	1,290	-	-	1,290	-
Telephone	1,239	-	-	1,239	1,433
Depreciation	934	-	-	934	934
Bank Fees	-	250	-	250	53
Exhibits and Marketing	173	-	-	173	1,402
Small Equipment	60	-	-	60	4,581
Business Registration Fees	-	25	-	25	30
Moving Expense	-	-	-	-	3,235
Miscellaneous	-	-	-	-	295
TOTAL EXPENSE	<u>\$ 70,819</u>	<u>\$ 16,333</u>	<u>\$ 6,870</u>	<u>\$ 94,022</u>	<u>\$ 99,164</u>

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR  
ENDED DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 288,531	\$ (64,808)
Adjustments to Reconcile Changes in Net Assets to Cash Provided by (Used by) Operating Activities:		
Unrealized Loss (Gain)	(17,370)	3,136
Reinvested Interest and Dividends	(7,889)	(4,150)
Depreciation	934	934
Changes in Operating Assets and Liabilities		
Decrease in Grand Lodge Grant Receivable	45,000	-
Decrease in Prepaid Expenses	-	1,574
Increase (Decrease) in Accrued Expenses	<u>(1,148)</u>	<u>17</u>
Net Cash Provided by (Used by) Operating Activities	308,058	(63,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	<u>(289,164)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(289,164)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	18,894	(63,297)
CASH AND CASH EQUIVALENTS – Beginning	<u>43,686</u>	<u>106,983</u>
CASH AND CASH EQUIVALENTS – Ending	<u>\$ 62,580</u>	<u>\$ 43,686</u>

See independent auditor's report and accompanying notes.

## **VASA ORDER OF AMERICA NATIONAL ARCHIVES**

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

#### NOTES:

##### NATURE OF OPERATIONS

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

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

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

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

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### BASIS OF ACCOUNTING

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

##### BASIS OF PRESENTATION

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

##### PRIOR-PERIOD INFORMATION

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Archives' **financial statements for the year ended December 31, 2015**, from which the summarized comparative total amounts were derived.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

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, 2016 or 2015.

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, 2016 and 2015 was \$934.

CONTRIBUTIONS

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

DONATED SERVICES AND MATERIAL

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

Donated professional services consist of accounting services with an estimated fair value of \$6,000 (2016 and 2015).

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.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

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, 2016, the Archives' cash balance was fully insured. The Archives has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

IMPAIRMENT OF LONG-LIVED ASSETS

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the unrelated expected future net cash flows be less than the carrying value, an impairment loss would be recognized. No impairment was recorded in the years ended December 31, 2016 and 2015.

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.

USE OF ESTIMATES

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

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs amounted to \$-0- for the years ended December 31, 2016 and 2015, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

FUNCTIONAL ALLOCATION OF EXPENSES

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

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

FAIR VALUE MEASUREMENT

FASB ASC Topic *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurements and Disclosures* Topic, the Archives has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For the Archives, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market that the Archives has the ability to access (Level 1). As of and for the December 31, 2016 and 2015, only **Archives'** investments, as described in Note 5 to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurements and Disclosures* Topic of FASB ASC.

INCOME TAXES

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

COLLECTIONS

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

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

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, 2016 and 2015.

SUBSEQUENT EVENTS

In preparing these financial statements, the Archives has evaluated events and transactions for potential recognition or disclosure through May 23, 2017, the date the financial statements were available to be issued.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

**2. TEMPORARILY RESTRICTED NET ASSETS**

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

**3. RELATED PARTY**

During 2016 and 2015, four of the Archives' board members were also board members of the Grand Lodge.

Grants received from the Grand Lodge amounted to \$35,000 and \$-0- for the years ended December 31, 2016 and 2015, 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:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-Designated	\$ 518,025	\$ -	\$ -	\$ 518,025
	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-Designated	\$ 214,602	\$ -	\$ -	\$ 214,602

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - January 1, 2015	\$ 213,588	\$ -	\$ -	\$ 213,588
Investment Return:				
Board-Designation	-	-	-	-
Net Appreciation/Depreciation (Realized & Unrealized)	1,014	-	-	1,014
Total Investment Return	1,014	-	-	1,014
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - December 31, 2015	214,602	-	-	214,602
Investment Return:				
Board-Designation	289,164	-	-	289,164
Net Appreciation/Depreciation (Realized & Unrealized)	25,259	-	-	25,259
Total Investment Return	314,423	-	-	314,423
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Endowment Net Assets - December 31, 2016	\$ 529,025	\$ -	\$ -	\$ 529,025

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.

**VASA ORDER OF AMERICA NATIONAL ARCHIVES**

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

## NOTES (CONTINUED):

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 effects 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, 2015 and 2013.

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.

## VASA ORDER OF AMERICA NATIONAL ARCHIVES

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTES (CONTINUED):

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

#### 5. INVESTMENTS

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

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

	2016	2015
Balanced Index Fund	518,025	200,598
Cash Equivalents	\$ 11,000	\$ 11,000
Money Market Funds	-	3,004
	\$ 529,025	\$ 214,602

The cost of the above investment amounts to approximately \$488,000 and \$187,000 as of December 31, 2016 and 2015, respectively.

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

	2016	2015
Net Unrealized Gain (Loss)	17,370	(3,136)
Dividends and Interest	\$ 7,889	\$ 4,150
	\$ 25,259	\$ 1,014

Investment fees amounted to \$-0- for the years ended December 31, 2016 and 2015.

#### 6. RECOVERY FROM LAWSUIT SETTLEMENT

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