

THE MUSEUM OF DANISH AMERICA

Financial Statements
Year Ended August 31, 2022

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

THE MUSEUM OF DANISH AMERICA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Danish Immigrant Museum
dba The Museum of Danish America
Elk Horn, Iowa

Opinion

We have audited the accompanying financial statements of The Museum of Danish America (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of August 31, 2022, and the related statements of revenues, expenses and changes in net assets – modified cash basis, and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Museum of Danish America as of August 31, 2022, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Museum of Danish America and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Museum of Danish America's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Museum of Danish America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Museum of Danish America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of a Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Museum of Danish America's August 31, 2021, financial statements, and our report dated December 10, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Olsen, Muhlbauer & Co., L.L.P.

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
January 3, 2023

THE MUSEUM OF DANISH AMERICA

Statement of Assets, Liabilities, and Net Assets -
Modified Cash Basis
August 31, 2022 with Summarized Totals as of August 31, 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and Cash Equivalents	891,907	954,895
Design Shop Inventory	60,060	45,501
Exhibit Catalogue and Promotional Inventory	564	885
Security Deposits	550	0
Employee Retention Credit Receivables (Allowance \$0)	39,705	120,377
Property and Equipment (Net)	4,258,807	4,382,965
Investments	5,536,325	6,186,912
Collections (Note 1)	<u>0</u>	<u>0</u>
 <u>Total Assets</u>	 <u>10,787,918</u>	 <u>11,691,535</u>
 Liabilities		
Accrued Payroll Taxes and Benefits	15,725	17,410
Note Payable	0	0
Line of Credit	<u>0</u>	<u>0</u>
 <u>Total Liabilities</u>	 <u>15,725</u>	 <u>17,410</u>
 Net Assets		
Without Donor Restrictions	6,362,546	6,777,653
With Donor Restrictions	<u>4,409,647</u>	<u>4,896,472</u>
 <u>Total Net Assets</u>	 <u>10,772,193</u>	 <u>11,674,125</u>
 <u>Total Liabilities and Net Assets</u>	 <u>10,787,918</u>	 <u>11,691,535</u>

The accompanying notes are an integral part of these financial statements.

THE MUSEUM OF DANISH AMERICA

Statement of Revenues, Expenses and Changes in Net Assets -
Modified Cash Basis
For Year Ended August 31, 2022 with Summarized Totals for 2021

	Without Donor Restrictions	With Donor Restrictions	Total	August 31, 2021
Revenues, Gains and Other Support:				
Contributions	861,345	446,462	1,307,807	723,970
Admissions	13,253	0	13,253	8,408
Design Store Gross Profit (Note 7)	57,249	0	57,249	57,947
Investment Income(Loss) (Net)	(228,940)	(692,571)	(921,511)	1,106,081
Gain on Disposal of Property & Equipment	0	0	0	500
Grants	112,745	60,805	173,550	151,347
Miscellaneous Income	71,121	0	71,121	65,680
COVID Income	0	0	0	402,711
Net Assets Released from Restrictions:				
Appropriations of Donor Endowments	141,999	(141,999)	0	0
Restrictions Satisfied by Programs	159,922	(159,922)	0	0
Total Revenues, Gains, and Other Support	1,188,694	(487,225)	701,469	2,516,644
Expenses				
Program Services				
Curatorial	502,004	0	502,004	443,665
Genealogy	119,419	0	119,419	146,073
Public Outreach	145,304	0	145,304	158,666
Design Store	136,485	0	136,485	147,621
Jens Jensen Landscape Park	71,777	0	71,777	72,735
	974,989	0	974,989	968,760
Supporting Services				
Management and General	404,186	0	404,186	373,884
Fund Raising	224,626	0	224,626	136,797
	628,812	0	628,812	510,681
Total Expenses	1,603,801	0	1,603,801	1,479,441
Change in Net Assets Before Collection				
<u>Items not Capitalized</u>	(415,107)	(487,225)	(902,332)	1,037,203

THE MUSEUM OF DANISH AMERICA

Statement of Revenues, Expenses and Changes in Net Assets -
Modified Cash Basis
For Year Ended August 31, 2022 with Summarized Totals for 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>August 31, 2021</u>
<u>Change in Net Assets Before Collection</u>				
<u>Items not Capitalized</u>	(415,107)	(487,225)	(902,332)	1,037,203
Change in Net Assets Related to Collection Items not Capitalized:				
Proceeds from Sale of Collection Items	0	400	400	525
Collection Items Purchased	0	0	0	(2,000)
Net Assets Released from Restrictions:				
To Fund Acquisitions	0	0	0	0
<u>Change in Net Assets Related to Collection</u>				
<u>Items not Capitalized</u>	0	400	400	(1,475)
<u>Change in Net Assets</u>	(415,107)	(486,825)	(901,932)	1,035,728
Net Assets, Beginning of Year	6,777,653	4,896,472	11,674,125	10,638,397
<u>Net Assets, End of Year</u>	<u>6,362,546</u>	<u>4,409,647</u>	<u>10,772,193</u>	<u>11,674,125</u>

The accompanying notes are an integral part of these financial statements.

THE MUSEUM OF DANISH AMERICA
Statement of Functional Expenses -
Modified Cash Basis

For Year Ended August 31, 2022 with Summarized Totals for 2021

	Program Services						Supporting Services				Total	August 31, 2021 Total
	Curatorial	Genealogy	Education and Outreach	Design Store	Jens Jensen Landscape Park	Management and General	Fund Raising					
Salaries	134,677	71,464	87,862	69,004	6,417	189,375	117,817		676,616	671,951		
Benefits and Taxes	30,262	14,884	14,624	6,001	2,706	28,038	18,726		115,241	108,034		
<u>Total Compensation</u>	164,939	86,348	102,486	75,005	9,123	217,413	136,543		791,857			
2021 - Memo Only	199,165	91,187	134,831	76,165	0	190,051	88,586			779,985		
Advertising	2,370	0	0	269	0	14,940	7,407		24,986	19,215		
Bank Charges	215	0	107	1,015	0	8,863	1,894		12,094	10,484		
Contract Labor/Outside Services	10,441	0	9,381	10	1,830	225	8,425		30,312	56,838		
Depreciation	138,280	5,301	7,519	22,556	29,663	31,144	7,519		241,982	238,576		
Donations	0	0	116	0	0	1,100	0		1,216	1,350		
Insurance	10,207	2,484	3,727	3,727	0	7,453	2,484		30,082	25,347		
Interns	15,064	0	0	22	4,200	(295)	14,194		33,185	8,000		
Grounds Care & Maintenance	71,225	303	1,890	5,671	23,961	7,563	1,928		112,541	65,844		
Meetings	399	0	0	0	0	22,408	405		23,212	1,292		
Memberships & Subscriptions	1,290	5,336	1,065	175	0	3,212	1,890		12,968	3,640		
Office, Computer & Equipment	11,300	14,149	3,268	7,069	0	34,215	11,271		81,272	78,298		
Other	0	0	674	33	0	6,401	12		7,120	17,904		
Postage and Freight	12,863	140	0	881	0	2,022	8,598		24,504	23,918		
Printing	100	0	0	10,455	0	18,833	5,154		34,542	38,182		
Professional Fees	0	0	0	0	0	16,216	0		16,216	18,574		
Reception and Events	0	0	6,482	0	0	413	1,600		8,495	15,940		
Supplies	23,064	0	2,406	2,298	3,000	0	3,616		34,384	12,986		
Travel and Staff Development	14,280	0	4,205	707	0	1,635	7,817		28,644	11,401		
Telephone	1,967	1,968	28	742	0	2,625	1,623		8,953	11,277		
Utilities	24,000	3,390	1,950	5,850	0	7,800	2,246		45,236	40,390		
<u>Total Expenses</u>	502,004	119,419	145,304	136,485	71,777	404,186	224,626		1,603,801			
2021 - Memo Only	443,665	146,073	158,666	147,621	72,735	373,884	136,797			1,479,441		

The accompanying notes are an integral part of these financial statements.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

The Danish Immigrant Museum (the Museum), located in Elk Horn, Iowa, was formed in 1983 to exhibit materials and to provide information to the public regarding the impact and contributions of immigrants from Denmark to the United States. Artifacts and traditions are collected, preserved, studied and interpreted in order to preserve this rich heritage. During the fiscal year ended August 31, 2014, the Danish Immigrant Museum formally adopted a fictitious name, The Museum of Danish America, in order to embrace all aspects of Danish American culture and influence rather than focusing only on immigrants.

The Museum's five program services are:

Curatorial – The Museum of Danish America celebrates Danish roots and American dreams through its curatorial activities. The department maintains a collection of approximately 37,700 artifacts, many of which are available on the Museum's website through the "View Our Collection" extension. The Museum also offers tours of a 19th century historical house.

Jens Jensen Prairie Landscape Park – The Jens Jensen Prairie Landscape Park is a recreated native tallgrass prairie covering over 25 acres of the museum's grounds named in honor of Jens Jensen, a Danish immigrant who became a leading conversationist and founder of the prairie style of landscape architecture. The public is welcome to enjoy the park's walking paths, seating circles, fitness equipment, and outdoor interpretive panels. Special programs and school tours offer extra experiences for enjoying and appreciating the prairie ecosystem.

Genealogy – The Genealogy Center collects print, visual, microform and digital materials on Danish immigrants and Danish Americans, their communities and organizations, and provides information on relevant genealogical resources as well as research and translation services to the public in-house and long distance. The Genealogy Center boasts an interactive learning space for visitors to enjoy.

Public Outreach and Education – Public outreach activities bring the Museum's mission to its national audience and membership by engaging constituents at public festivals, lectures and presentations, workshops, and receptions across the country. The addition of a Youth and Community Educator position will enhance outreach to school groups and community members.

Design Store – The Design Store displays and sells items reflecting the best in Danish design and books about Denmark and Danish-American relations.

Significant Accounting Policies

Basis of Accounting – The financial statements of the Museum have been prepared on the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting reports transactions on a cash basis modified to reflect certain accrual basis accounting adjustments such as capitalizing fixed assets and recording annual depreciation along with recording debt owed to banks and other liabilities such as payroll tax and benefit withholding. Revenue is recognized when received and does not account for promises to give. In addition, expenses incurred but unpaid at August 31, 2022, are not reflected in the accompanying financial statements.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Estimates – The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the period and as of the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Museum considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents.

Inventory – Inventory, consisting of design store merchandise and exhibit catalogues, is stated at the lower of cost or market determined on a first-in, first-out basis by the Museum's personnel.

Property and Equipment – Purchased property and equipment with a cost of \$2,000 or more and a useful life of more than one year is capitalized at cost. Donated property and equipment is recorded at fair value on the date of receipt. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Currently, the Museum has no policy implying time restrictions on donated property. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is provided on the straight-line method over a five to fifteen-year period for furniture and equipment, fifteen to fifty years for buildings and permanent exhibits, and fifteen years for improvements.

Property and equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements during the current period.

Investments – Investments in marketable securities are reported at their fair values in the Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis. Unrealized gains and losses are included in the change in net assets. Investment income on investments restricted by donors is reported as an increase in net assets with donor restrictions until the Board appropriates the usage at which time it's reclassified to net assets without donor restrictions.

Collections – The Museum's collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year acquired.

The Museum's collections consist of historically significant artifacts and art held for educational, research, and curatorial purposes. The items are 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 and deaccessions be used to purchase and acquire other collection items.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Collections (Continued)

During the fiscal year ended August 31, 2022, some collection items were deaccessioned due to the changing nature of the collections and the reduction of duplicates. The fair value of these deaccessions is indeterminable due to their unique and historical nature but is not expected to be material.

Net Assets and Contributions – Net assets, revenues, gain and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Net assets and changes therein are reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated purpose has been fulfilled and are reported in the Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis as net assets released from restrictions. The Board has designated, from net assets without donor restrictions, net assets for board-designated endowment.

With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Contributions of cash to acquire or construct long-lived assets (i.e. property and equipment) are reported as net assets with donor restrictions upon receipt. When the long-lived asset is placed in service, the contribution is reclassified from net assets with donor restrictions to net assets without donor restrictions.

In-kind Donations – The museum receives a significant amount of support in the form of goods and services from donors and volunteers in the Museum's operations, fund raising, admissions desk, design store, and museum tours. Services that do not require specialized knowledge are not required to be reported on financial statements prepared on the modified cash basis of accounting. Accordingly, these financial statements do not reflect these contributions. If these contributions were recorded, revenues would increase by the fair value of the contributions.

Revenue Recognition

Contributions – Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor.

Grants – The Museum is the recipient of federal, state and local grants to fund its primary programs. Grants consist primarily of conditional grants, which are those with a measurable performance or other barrier. Grants are recognized when received but are conditioned upon the incurrence of allowable qualifying expenses. Should the Museum not incur those allowable qualifying expenses, it would be required to repay some grants.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Design Store Sales – Sales are reported when the product is removed from the store or shipped to the customer. Shipping and handling costs on both incoming and outgoing orders are included on the Statement of Functional Expenses in the Design Store's postage and freight expense.

Miscellaneous Income – Miscellaneous income consists of exhibit rental and shipping fees, research fees, board meeting reimbursements and other incidental income. These fees are recognized when goods or services are transferred to the users.

Expense Recognition and Cost Allocation – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include Compensation and Benefits and Taxes, which are allocated on the basis of time and effort, Depreciation, Insurance, Maintenance, and Utilities which are allocated on a square footage basis, and Computer expenses which are recorded based on computer counts in each program or supporting service.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the museum.

Fundraising costs are expensed as incurred, even though they may result in future contributions.

Additionally, advertising costs are expensed as incurred.

The Museum has elected to use the direct expensing method in accounting for planned major maintenance activities.

Tax status – The Museum is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Museum is also a public charity under the IRC Sections 509(a) and 170(b)(1)(A)(vi). This allows for donations to the Museum to be deductible as charitable contributions.

Tax years ending on and prior to August 31, 2019, are considered closed years. The Museum accounts for uncertainties in accounting for income taxes using the guidance included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes. The Museum recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At August 31, 2022, the Museum had no uncertain tax positions nor interest or penalties related to income taxes.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements
August 31, 2022

Note 2 -- Liquidity and Availability of Financial Assets

The following information presents the Museum's financial assets as of August 31, 2022, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Funds that are available for use within one year for general purposes include contributions with donor restrictions for projects expected to be completed within one year.

Financial Assets at year-end	
(Cash and Cash Equivalents, Receivables and Investments)	6,467,937
Less those unavailable for general expenditures within one year, due to:	
Restricted to maintain as DIM Endowment	(4,045,984)
Restricted to maintain as Holger Danske Endowment	(1,371,447)
Restricted for DBIA Artifacts	(28,000)
Restricted to long-term projects	<u>(99,651)</u>
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u>922,855</u>

As part of the Museum's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds. In addition to the above amounts, the Museum has a line of credit from Shelby County State Bank for \$200,000 that may be drawn upon to meet operating cash flow needs.

Note 3 -- Property and Equipment

Property and equipment consists of the following:

Land and Improvements	1,060,318
Museum Building	5,507,523
FHGC Building	130,000
FHGC Building Improvements	26,901
Exhibit Furniture	458,103
Design Store Furnishings and Equipment	17,308
Office Furniture and Equipment	187,340
FHGC Furniture and Equipment	53,327
Historical House	71,530
Vehicles	27,473
Intangibles - Website and Brand	<u>44,214</u>
	7,584,037
Less: Accumulated Depreciation	<u>(3,325,230)</u>
<u>Total</u>	<u>4,258,807</u>

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements
August 31, 2022

Note 4 – Investments and Fair Value of Financial Instruments

The Museum holds investments primarily for its endowment funds, but also, for investments of excess operating cash and for donor-restricted projects. The fair value measurements and levels within the fair value hierarchy of those measurements of those measurements for the assets reported at fair value on a recurring basis at August 31, 2022, are as follows:

	<u>Cost</u>	<u>Fair Value (Level 1)</u>	<u>Unrealized Appreciation (Depreciation)</u>
Funds without Donor Restrictions			
Certificates of Deposit	30,978	30,978	0
<u>Investments without Donor Restrictions</u>	<u>30,978</u>	<u>30,978</u>	<u>0</u>
Funds with Donor Restrictions			
Long-term Projects			
Cash & Money Market Accounts	1,298	1,298	0
Fixed Income Securities	16,680	15,660	(1,020)
Pooled Equity Funds	55,826	70,958	15,132
	<u>73,804</u>	<u>87,916</u>	<u>14,112</u>
Holger Danske Endowment Fund			
Cash & Money Market Funds	112,192	112,192	0
Fixed Income Securities	231,103	217,825	(13,278)
Pooled Equity Funds	825,497	1,041,430	215,933
	<u>1,168,792</u>	<u>1,371,447</u>	<u>202,655</u>
DIM Endowment Fund			
Cash & Money Market Funds	801,269	801,269	0
Mutual Funds	2,198,500	2,631,768	433,268
Exchange Traded Products	661,163	612,947	(48,216)
	<u>3,660,932</u>	<u>4,045,984</u>	<u>385,052</u>
<u>Investments with Donor Restrictions</u>	<u>4,903,528</u>	<u>5,505,347</u>	<u>601,819</u>
<u>Total Investments</u>	<u>4,934,506</u>	<u>5,536,325</u>	<u>601,819</u>

The Museum's Level 1 investments are actively traded and are reported at fair value on recurring basis determined by reference to quoted market prices.

Note 5 – Debt

The Museum holds a \$200,000 line of credit with Shelby County State Bank which matures March 1, 2023. At August 31, 2022, no funds were advanced against this credit line which bears interest at a variable rate.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 6 – Net Assets

Net Assets without Donor Restrictions includes \$1,450,975 designated by the Board for the following at August 31, 2022:

Bedstemors Restoration & Exhibits	28,239
Holger Danske Endowment	114,686
DIM Endowment	<u>1,308,050</u>
<u>Total Board Designated Net Assets without Donor Restrictions</u>	<u>1,450,975</u>

Net Assets with Donor Restrictions as of August 31, 2022, consist of funds with the following purpose restrictions:

Special projects and programs:	
Internship Programs	49,793
Schultz/Nielsen Project	40,000
Special Events	16,155
FHGC Programs/Projects	29,072
Jens Jensen Prairie Landscape Park	52,930
Curatorial Programs/Projects	177,974
Other Programs/Projects	21,028
DBIA Artifact Maintenance	28,000
Holger Danske Endowment	1,256,761
DIM Endowment	<u>2,737,934</u>
<u>Total Net Assets with Donor Restrictions</u>	<u>4,409,647</u>

Endowment Funds – The Museum’s endowments were established to support the Museum's mission by providing a reliable income stream. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Museum indefinitely, and income from the investments are to be expended to support Museum operations. In addition, the Museum's Board of Directors has designated funds for the endowments.

The Museum is subject to the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure. The Board of Trustees of the Museum has interpreted UPMIFA as requiring maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 6 – Net Assets (Continued)

The Museum would consider the fund to be underwater if the fair value is less than the sum of (1) the original value of the gifts donated to the fund and (2) any accumulations that are required to be maintained in perpetuity in accordance with the donor gift instrument. From time to time, due to adverse market conditions, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or relevant law requires the Museum to retain as a fund of perpetual duration. As of August 31, 2022, the Holger Danske endowment has a deficiency totaling \$187,155 of this nature. Board designated endowments account for \$15,014 and donor designated endowments account for \$172,141 of this deficiency. The Museum interpreted UPMIFA to permit spending from underwater funds with prudent measures required under the law.

The Holger Danske Endowment spending and investment policies adopted by the Board of Directors attempt to provide a predictable stream of funding to the Museum while seeking to maintain the purchasing power of the endowment assets. The Museum typically appropriates for distribution at the beginning of each fiscal year at least 50% of the endowment fund's investment income from the previous fiscal year. During the year ended August 31, 2022, the Museum did not take this appropriation in order to reduce the fund's underwater status.

The DIM Endowment spending and investment policies adopted by the Board of Directors attempt to achieve a reasonable and adequate rate of growth while not incurring significant risk and produce reasonable income. The Museum's objective is to provide growth exceeding inflation. The investment policy establishes an achievable return through use of a moderate portfolio approach. At the June, 2019, Board meeting, the appropriations policy for the DIM Endowment was modified for fiscal years ending August 31, 2019, and thereafter. The modified policy permits the Board to appropriate a discretionary percentage each year of the average market values of the fund from the last three fiscal year ends. At the October, 2021, Board meeting, the Board authorized the Director to withdraw up to five percent of the three-year historical average value in quarterly installments.

Endowment assets are invested in cash and money market accounts, fixed income securities, and pooled equity funds. Changes in endowment investments for the year ended August 31, 2022, are:

	<u>Net Assets With Donor Restrictions</u>	<u>Net Assets without Donor Restrictions</u>	<u>Total</u>
Endowment Investments –			
Beginning of Year	4,614,370	1,430,418	6,044,788
Contributions	242,895	262,932	505,827
Investment Income (Net)	(692,571)	(213,823)	(906,394)
Amounts Appropriated for Expenditure	<u>(141,999)</u>	<u>(56,791)</u>	<u>(198,790)</u>
Endowment Investments --			
End of Year	<u>4,022,695</u>	<u>1,422,736</u>	<u>5,445,431</u>

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 7 – Design Store

Design Store revenues are reported net of discounts and returns in the Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis. Gross profit information is as follows:

Gross Sales	106,742
Shipping Income	8,319
Discounts	(5,974)
Net Sales	109,087
Cost of Goods Sold	(44,066)
Freight Costs	(7,772)
<u>Gross Profit</u>	<u>57,249</u>

Note 8 – Leases

The Museum leases storage units under automatically renewable month-to-month leases. The Museum also leases office equipment and intern housing under non-cancelable leases expiring in the fiscal year ending August 31, 2022. Rental expense amounted to approximately \$17,864 for the year ended August 31, 2022 and is reported on the Statement of Functional Expenses as Intern Expenses, Supplies, Equipment & Computer Expenses, and Advertising. The approximate minimum rental commitment under non-cancelable operating leases is as follows as of August 31:

2023	6,348
2024	2,498
2025	2,498
2026	2,498
2027	2,498

Note 9 – Concentrations of Credit Risk

At August 31, 2022, funds amounting to \$174,644 were uninsured because they were held in financial institutions and are in excess of the \$250,000 Federal Deposit Insurance Corporation limits. The Museum's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Museum's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Despite this possibility, management believes that its credit risk is not significant.

Note 10 – Related Party Transactions

During the year ended August 31, 2022, the Museum received contributions of \$206,687 from board members and staff.

THE MUSEUM OF DANISH AMERICA

Notes to Financial Statements August 31, 2022

Note 11 – Prior Year Information

Some of the prior year information has been reclassified to present a more consistent comparison with the current year presentation.

Note 12 – Subsequent Events

The Museum has considered subsequent events through January 3, 2023, which is the date the financial statements were available to be issued.

In October 2022, the Museum swept \$51,979 of earnings from the DIM endowment account which represents the first of its quarterly distributions for the fiscal year ended August 31, 2023. Due to current market conditions, the Museum's investments have lost slightly over 1% of their August 31, 2022, market value. Management is aware of the market and is monitoring the returns and will take action to limit future losses if deemed necessary.