

**THE MUSEUM OF DANISH AMERICA**

**Financial Statements  
Year Ended August 31, 2023**

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

THE MUSEUM OF DANISH AMERICA

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**OLSEN, MUHLBAUER & CO., L.L.P.**

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

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

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, 2023, 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.

**Management's Responsibility 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.

**Auditors' 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 from 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 assets, liabilities, and net assets of The Museum of Danish America as of August 31, 2023, 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.

## **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, 2022, financial statements, and our report dated December 10, 2022, 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, 2022, 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

May 1, 2024

THE MUSEUM OF DANISH AMERICA

Statement of Assets, Liabilities, and Net Assets -  
Modified Cash Basis

August 31, 2023 with Summarized Totals as of August 31, 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and Cash Equivalents	634,633	891,907
Design Shop Inventory	56,430	60,060
Exhibit Catalogue and Promotional Inventory	360	564
Security Deposits	550	550
Employee Retention Credit Receivables (Allowance \$0)	39,705	39,705
Property and Equipment (Net)	4,074,347	4,258,807
Investments	6,046,623	5,536,325
Collections (Note 1)	<u>0</u>	<u>0</u>
<u>Total Assets</u>	<u>10,852,648</u>	<u>10,787,918</u>
<b>Liabilities</b>		
Accrued Payroll Taxes and Benefits	<u>18,170</u>	<u>15,725</u>
<u>Total Liabilities</u>	<u>18,170</u>	<u>15,725</u>
<b>Net Assets</b>		
Without Donor Restrictions	6,008,807	6,362,546
With Donor Restrictions	<u>4,825,671</u>	<u>4,409,647</u>
<u>Total Net Assets</u>	<u>10,834,478</u>	<u>10,772,193</u>
<u>Total Liabilities and Net Assets</u>	<u>10,852,648</u>	<u>10,787,918</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, 2023 with Summarized Totals for 2022

	Without Donor Restrictions	With Donor Restrictions	Total	August 31, 2022
Revenues, Gains and Other Support:				
Contributions - Cash	574,004	386,185	960,189	1,307,807
Contributions - In Kind	120,031	0	120,031	0
Admissions	13,639	0	13,639	13,253
Design Store Gross Profit (Note 8)	48,195	0	48,195	57,249
Investment Income(Loss) (Net)	139,734	339,140	478,874	(921,511)
Grants	106,612	31,239	137,851	173,550
Miscellaneous Income	72,637	0	72,637	71,121
Net Assets Released from Restrictions:				
Appropriations of Donor Endowments	141,357	(141,357)	0	0
Restrictions Satisfied by Programs	199,183	(199,183)	0	0
<u>Total Revenues, Gains, and Other Support</u>	<u>1,415,392</u>	<u>416,024</u>	<u>1,831,416</u>	<u>701,469</u>
Expenses				
Program Services				
Curatorial	507,273	0	507,273	502,004
Genealogy	71,291	0	71,291	119,419
Education and Outreach	235,711	0	235,711	145,304
Design Store	155,274	0	155,274	136,485
Jens Jensen Landscape Park	61,649	0	61,649	71,777
	<u>1,031,198</u>	<u>0</u>	<u>1,031,198</u>	<u>974,989</u>
Supporting Services				
Management and General	410,654	0	410,654	404,186
Fund Raising	327,279	0	327,279	224,626
	<u>737,933</u>	<u>0</u>	<u>737,933</u>	<u>628,812</u>
<u>Total Expenses</u>	<u>1,769,131</u>	<u>0</u>	<u>1,769,131</u>	<u>1,603,801</u>
<u>Change in Net Assets Before Collection</u>				
<u>Items not Capitalized</u>	<u>(353,739)</u>	<u>416,024</u>	<u>62,285</u>	<u>(902,332)</u>
Change in Net Assets Related to Collection Items not Capitalized:				
Proceeds from Sale of Collection Items	0	0	0	400
<u>Change in Net Assets Related to Collection</u>				
<u>Items not Capitalized</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>400</u>
<u>Change in Net Assets</u>	<u>(353,739)</u>	<u>416,024</u>	<u>62,285</u>	<u>(901,932)</u>
Net Assets, Beginning of Year	6,362,546	4,409,647	10,772,193	11,674,125
<u>Net Assets, End of Year</u>	<u>6,008,807</u>	<u>4,825,671</u>	<u>10,834,478</u>	<u>10,772,193</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, 2023 with Summarized Totals for 2022

	Program Services						Supporting Services			Total	August 31, 2022 Total
	Curatorial	Genealogy	Education and Outreach	Design Store	Lens Jensen Landscape Park	Management and General	Fund Raising				
Salaries	146,674	33,302	82,034	85,610	12,427	201,686	156,397	718,130	676,616		
Benefits and Taxes	36,633	7,872	12,415	8,182	1,993	29,940	25,163	122,198	115,241		
<u>Total Compensation</u>	183,307	41,174	94,449	93,792	14,420	231,626	181,560	840,328			
<b>2022 - Memo Only</b>	<b>164,939</b>	<b>86,348</b>	<b>102,486</b>	<b>75,005</b>	<b>9,123</b>	<b>217,413</b>	<b>136,543</b>		<b>791,857</b>		
Advertising	339	0	160	220	0	14,961	6,005	21,685	24,986		
Bank Charges	532	0	5	604	0	9,993	1,876	13,010	12,094		
Contract Labor/Outside Services	0	896	22,950	0	0	613	15,228	39,687	30,312		
Depreciation	129,998	4,601	7,666	22,998	32,548	31,933	7,666	237,410	241,982		
Donations	0	0	92	0	0	1,180	0	1,272	1,216		
Insurance	9,077	3,229	4,843	4,843	0	9,687	3,229	34,908	30,082		
Interns	4,252	0	0	0	3,992	2,480	18,318	29,042	33,185		
Grounds Care and Maintenance	46,644	933	1,972	5,994	10,637	7,890	1,972	76,042	112,541		
Meetings	0	0	0	0	0	10,868	417	11,285	23,212		
Memberships and Subscriptions	917	5,086	435	310	0	5,102	1,375	13,225	12,968		
Office, Computer and Equipment	12,922	11,789	1,543	5,118	0	23,411	32,210	86,993	81,272		
Other	64	0	853	382	24	6,891	1,688	9,902	7,120		
Postage and Freight	10,477	0	0	0	0	753	10,812	22,042	24,504		
Printing	391	0	0	12,888	0	8,668	35,562	57,509	34,542		
Professional Fees	898	0	0	0	0	16,501	0	17,399	16,216		
Reception and Events	1,841	0	90,283	0	0	2,711	2,358	97,193	8,495		
Supplies	76,389	91	3,233	454	28	33	426	80,654	34,384		
Travel and Staff Development	3,335	0	3,913	483	0	14,753	3,138	25,622	28,644		
Telephone	1,694	1,169	1,023	1,016	0	2,371	1,382	8,655	8,953		
Utilities	24,196	2,323	2,291	6,172	0	8,229	2,057	45,268	45,236		
<u>Total Expenses</u>	507,273	71,291	235,711	155,274	61,649	410,654	327,279	1,769,131			
<b>2022 - Memo Only</b>	<b>502,004</b>	<b>119,419</b>	<b>145,304</b>	<b>136,485</b>	<b>71,777</b>	<b>404,186</b>	<b>224,626</b>		<b>1,603,801</b>		

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

# THE MUSEUM OF DANISH AMERICA

## Notes to Financial Statements August 31, 2023

### 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. In addition, the Museum has a 19<sup>th</sup> century historical house that visitors may tour.

*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 conservationist 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 and 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. A Youth and Community Educator provides outreach programs to various populations from school groups to elderly 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, 2023, are not reflected in the accompanying financial statements.

# THE MUSEUM OF DANISH AMERICA

## Notes to Financial Statements August 31, 2023

### 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, 2023

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

#### Significant Accounting Policies (Continued)

##### *Collections (Continued)*

During the fiscal year ended August 31, 2023, 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.

# THE MUSEUM OF DANISH AMERICA

## Notes to Financial Statements August 31, 2023

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

#### Significant Accounting Policies (Continued)

##### *Revenue Recognition* (Continued)

*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.

*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, 2020, 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, 2023, 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, 2023

### Note 2 – Liquidity and Availability of Financial Assets

The following information presents the Museum's financial assets as of August 31, 2023, 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, Inventory, Receivables and Investments)	6,778,301
Less those unavailable for general expenditures	
within one year, due to:	
Restricted to maintain as DIM Endowment	(4,452,416)
Restricted to maintain as Holger Danske Endowment	(1,496,096)
Restricted for DBIA Artifacts	(28,000)
Restricted to long-term projects	<u>( 50,839)</u>
<u>Financial assets available to meet cash needs</u>	
<u>for general expenditures within one year</u>	
	<u>750,950</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 \$500,000 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	1,092,310
Museum Building	5,507,523
FHGC Building	130,000
FHGC Building Improvements	26,901
Exhibit Furniture	467,515
Design Store Furnishings and Equipment	17,308
Office Furniture and Equipment	198,887
FHGC Furniture and Equipment	53,327
Historical House	71,530
Vehicles	27,473
Intangibles - Website and Brand	<u>44,214</u>
	7,636,988
Less: Accumulated Depreciation	<u>( 3,562,641)</u>
<u>Total</u>	<u>4,074,347</u>

# THE MUSEUM OF DANISH AMERICA

## Notes to Financial Statements August 31, 2023

### 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, 2023, are as follows:

	<u>Cost</u>	<u>Fair Value (Level 1)</u>	<u>Unrealized Appreciation (Depreciation)</u>
<b>Funds without Restrictions</b>			
Equities	9,100	9,100	0
<u>Investments without Restrictions</u>	<u>9,100</u>	<u>9,100</u>	<u>0</u>
<b>Funds with Donor &amp; Board Restrictions</b>			
<b>Long-term Projects</b>			
Cash & Money Market Accounts	3,175	3,175	0
Alternative Funds (Hedge & ETF Funds)	7,603	7,649	46
Fixed Income Securities	18,368	17,002	(1,366)
Pooled Equity Funds	47,361	61,185	13,824
	<u>76,507</u>	<u>89,011</u>	<u>12,504</u>
<b>Holger Danske Endowment Fund</b>			
Cash & Money Market Funds	50,361	50,361	0
Alternative Funds (Hedge & ETF Funds)	128,062	128,843	781
Fixed Income Securities	305,279	286,365	(18,914)
Pooled Equity Funds	802,851	1,030,527	227,676
	<u>1,286,553</u>	<u>1,496,096</u>	<u>209,543</u>
<b>DIM Endowment Fund</b>			
Cash & Money Market Funds	202,193	202,193	0
<b>Mutual Funds</b>			
Stock Funds	2,230,904	2,846,050	615,146
Bond Funds	77,025	73,827	(3,198)
<b>Exchange Traded Products</b>			
Equity ETPs	708,713	734,371	25,658
Fixed Income ETPs	542,210	527,890	(14,320)
Stocks	13,980	68,085	54,105
	<u>3,775,025</u>	<u>4,452,416</u>	<u>677,391</u>
<u>Investments with Donor &amp; Board Restrictions</u>	<u>5,138,085</u>	<u>6,037,523</u>	<u>899,438</u>
<u>Total Investments</u>	<u>5,147,185</u>	<u>6,046,623</u>	<u>899,438</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.

# THE MUSEUM OF DANISH AMERICA

## Notes to Financial Statements August 31, 2023

### Note 5 – Debt

The Museum holds a \$500,000 line of credit with Shelby County State Bank which matures March 1, 2024. At August 31, 2023, no funds were advanced against this credit line which bears interest at a variable rate.

### Note 6 – Net Assets

Net Assets without Donor Restrictions includes \$1,528,356 designated by the Board for the following at August 31, 2023:

40 <sup>th</sup> Anniversary Projects & Exhibits	19,180
Holger Danske Endowment	123,180
DIM Endowment	<u>1,385,996</u>
<u>Total Board Designated Net Assets without Donor Restrictions</u>	<u>1,528,356</u>

Net Assets with Donor Restrictions as of August 31, 2023, consist of funds with the following purpose restrictions:

Special projects and programs:	
Internship Programs	38,202
FHGC Programs/Projects	18,116
Curatorial Programs/Projects	102,036
40 <sup>th</sup> Anniversary Events & Special Projects	119,162
Other Programs/Projects	80,819
DBIA Artifact Maintenance	28,000
Holger Danske Endowment	1,372,916
DIM Endowment	<u>3,066,420</u>
<u>Total Net Assets with Donor Restrictions</u>	<u>4,825,671</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, 2023

### 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, 2023, both the Holger Danske and DIM Endowments have deficiencies of \$83,688 and \$204,661, respectively. Board designated endowments account for \$61,206 and donor designated endowments account for \$227,143 of these deficiencies. 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 may appropriate 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, 2023, 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. Subsequent Boards have 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, 2023, are:

	<u>Net Assets With Donor Restrictions</u>	<u>Net Assets without Donor Restrictions</u>	<u>Total</u>
Endowment Investments --			
Beginning of Year	4,022,695	1,422,736	5,445,431
Contributions	246,857	32,439	279,296
Investment Income (Net)	339,140	120,562	459,702
Amounts Appropriated for Expenditure	<u>(141,356)</u>	<u>(66,561)</u>	<u>(207,917)</u>
Endowment Investments --			
End of Year	<u>4,467,336</u>	<u>1,509,176</u>	<u>5,976,512</u>

# THE MUSEUM OF DANISH AMERICA

## Notes to Financial Statements August 31, 2023

### Note 7 – Contributions In-Kind

Several in-kind donations of publicly traded stock totaling \$120,031 were received during the fiscal year ended August 31, 2023. Upon receipt these stocks were sold and converted to cash per the Museum's standard policy for use in operations or to add to endowment or restricted funds per the donor's instructions. Contributions of in-kind securities are valued at fair value per market quotes.

### Note 8 – 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 & Shipping Income	94,610
Shipping Income	6,058
Discounts	<u>(6,084)</u>
Net Sales	94,584
Cost of Goods Sold	(39,451)
Freight Costs	<u>(6,938)</u>
<u>Gross Profit</u>	<u>48,195</u>

### Note 9 – 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, 2027. Rental expense amounted to approximately \$17,630 for the year ended August 31, 2023 and is reported on the Statement of Functional Expenses as Rent, Equipment Expenses and Other Expenses. The approximate minimum rental commitment under non-cancelable operating leases is as follows as of August 31:

2024	2,498
2025	2,498
2026	2,498
2027	2,498
Thereafter	-0-

### Note 10 – Concentrations of Credit Risk

At August 31, 2023, funds amounting to \$165,874 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.

# THE MUSEUM OF DANISH AMERICA

## Notes to Financial Statements August 31, 2023

### Note 11 – Related Party Transactions

During the year ended August 31, 2023, the Museum received contributions of \$229,919 from board members and staff.

### Note 12 – Subsequent Events

The Museum has considered subsequent events through May 1, 2024, which is the date the financial statements were available to be issued.

In October 2023, the Museum swept \$51,733 of earnings from the Holger Danske Endowment account which represents the annual distribution for the fiscal year ended August 31, 2024. The Museum is also withdrawing \$54,360 quarterly beginning in October 2024 from the DIM Endowment account which is equal to the allowable distribution per the fund's terms.