

**VESTERHEIM  
NORWEGIAN-AMERICAN MUSEUM**

**FINANCIAL REPORT**

**DECEMBER 31, 2019 and 2018**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Vesterheim Norwegian-American Museum  
Decorah, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Vesterheim Norwegian-American Museum, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

Board of Trustees  
Vesterheim Norwegian-American Museum

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vesterheim Norwegian-American Museum as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
August 17, 2020

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018

ASSETS		
	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 474,583	\$ 485,165
Accounts receivable	16,503	29,416
Promises to give	253,200	207,600
Prepaid expenses	58,428	26,160
Inventories	125,270	132,490
	927,984	880,831
<b>NONCURRENT ASSETS</b>		
Promises to give less current portion - net	241,688	332,125
Property and equipment - net	2,565,590	2,549,620
Investments	12,428,725	10,190,301
Restricted investments	652,015	671,838
Restricted cash equivalents	2,198,410	2,109,311
Beneficial interest in remainder trusts	87,724	121,749
Cash surrender value of life insurance	68,572	64,746
	18,242,724	16,039,690
<b>Total assets</b>	<b>\$ 19,170,708</b>	<b>\$ 16,920,521</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 263,732	\$ 96,892
Accrued expenses	103,191	111,936
Deferred revenue	177,418	87,237
Line of credit	125,050	
Margin loan	352,049	352,016
	1,021,440	648,081
<b>NET ASSETS</b>		
Without donor restrictions	4,688,759	4,866,741
With donor restrictions	13,460,509	11,405,699
	18,149,268	16,272,440
<b>Total liabilities and net assets</b>	<b>\$ 19,170,708</b>	<b>\$ 16,920,521</b>

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM  
STATEMENTS OF ACTIVITIES  
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 475,919	\$ 551,167	\$ 1,027,086
Change in value of beneficial interest in remainder trusts	15,975	-	15,975
Events	47,530	-	47,530
Admission, membership and publication fees	209,917	-	209,917
Tour and tuition fees	534,053	-	534,053
Sales of merchandise	480,354	-	480,354
Miscellaneous	1,829	-	1,829
Rental income	15,255	-	15,255
Investment return, net	603,341	2,346,738	2,950,079
Net assets released from restrictions:			
Satisfaction of purpose restrictions	339,734	(339,734)	-
Satisfaction of time restrictions	503,361	(503,361)	-
<b>Total revenue, gains and other support</b>	<b>3,227,268</b>	<b>2,054,810</b>	<b>5,282,078</b>
<b>EXPENSES</b>			
Program services:			
Collections care	450,691	-	450,691
Education	777,938	-	777,938
Museum Store	482,061	-	482,061
Supporting activities:			
Management and general	611,585	-	611,585
Fundraising	1,082,621	-	1,082,621
<b>Total expenses</b>	<b>3,404,896</b>	<b>-</b>	<b>3,404,896</b>
<b>Change in net assets before changes related to collection items not capitalized</b>	<b>(177,628)</b>	<b>2,054,810</b>	<b>1,877,182</b>
<b>CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>			
Collection items purchased	(354)	-	(354)
<b>Change in net assets</b>	<b>(177,982)</b>	<b>2,054,810</b>	<b>1,876,828</b>
Net assets - beginning of year	4,866,741	11,405,699	16,272,440
Net assets - end of year	\$ 4,688,759	\$ 13,460,509	\$ 18,149,268

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM  
STATEMENTS OF ACTIVITIES  
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 464,512	\$ 2,781,391	\$ 3,245,903
Change in value of beneficial interest in remainder trusts	(1,958)	106,612	104,654
Events	52,847	-	52,847
Admission, membership and publication fees	296,557	-	296,557
Tour and tuition fees	722,137	-	722,137
Sales of merchandise	480,222	-	480,222
Miscellaneous	204	-	204
Rental income	21,065	-	21,065
Investment return, net	(308,884)	(1,397,498)	(1,706,382)
Net assets released from restrictions:			
Satisfaction of purpose restrictions	208,615	(208,615)	-
Satisfaction of time restrictions	373,653	(373,653)	-
<b>Total revenue, gains and other support</b>	<b>2,308,970</b>	<b>908,237</b>	<b>3,217,207</b>
<b>EXPENSES</b>			
Program services:			
Collections care	412,714	-	412,714
Education	920,778	-	920,778
Museum Store	508,628	-	508,628
Supporting activities:			
Management and general	709,132	-	709,132
Fundraising	466,948	-	466,948
<b>Total expenses</b>	<b>3,018,200</b>	<b>-</b>	<b>3,018,200</b>
<b>Change in net assets before changes related to collection items not capitalized</b>	<b>(709,230)</b>	<b>908,237</b>	<b>199,007</b>
<b>CHANGES RELATED TO COLLECTION ITEMS NOT CAPITALIZED</b>			
Collection items purchased	(695)	-	(695)
<b>Change in net assets</b>	<b>(709,925)</b>	<b>908,237</b>	<b>198,312</b>
Net assets - beginning of year	5,576,666	10,497,462	16,074,128
Net assets - end of year	<u>\$ 4,866,741</u>	<u>\$ 11,405,699</u>	<u>\$ 16,272,440</u>

See Accompanying Notes to Financial Statements

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2019 and 2018

2019	Collections Care	Education	Museum Store	Total Program	Management and General	Fundraising	Total
Wages and related expenses	\$ 239,818	\$ 271,445	\$ 159,508	\$ 670,771	\$ 272,299	\$ 372,767	\$ 1,315,837
Exhibits	15,025	-	-	15,025	-	-	15,025
Professional services	25,500	6,800	-	32,300	102,307	615,746	750,353
Operating expenses	927	36,720	20,266	57,913	27,928	10,664	96,505
Telephone and fax	544	1,631	2,175	4,350	3,262	3,262	10,874
Postage and freight	-	3,850	4,568	8,418	21,527	5,695	35,640
Utilities	23,002	13,144	9,858	46,004	22,533	-	68,537
Repairs and maintenance	24,410	4,874	99	29,383	26,906	1,713	58,002
Printing	965	9,375	8,868	19,208	28,823	20,950	68,981
Travel and development	1,875	2,425	472	4,772	692	13,539	19,003
Depreciation	68,953	22,525	22,525	114,003	42,347	-	156,350
Insurance	11,904	12,532	11,904	36,340	18,088	-	54,428
Advertising	23,695	20,087	1,555	45,337	7,167	1,322	53,826
Dues and subscriptions	1,037	-	527	1,564	6,148	787	8,499
Software licensing	-	-	2,400	2,400	5,037	13,872	21,309
Events and tours expense	2,439	282,269	-	284,708	3,542	22,304	310,554
Classes expense	-	90,261	-	90,261	-	-	90,261
Cost of goods sold	-	-	237,336	237,336	-	-	237,336
Rental expense	-	-	-	-	4,722	-	4,722
Curatorial expense	10,597	-	-	10,597	-	-	10,597
Interest expense	-	-	-	-	18,257	-	18,257
<b>Total expenses</b>	<b>\$ 450,691</b>	<b>\$ 777,938</b>	<b>\$ 482,061</b>	<b>\$ 1,710,690</b>	<b>\$ 611,585</b>	<b>\$ 1,082,621</b>	<b>\$ 3,404,896</b>
2018	Collections Care	Education	Museum Store	Total Program	Management and General	Fundraising	Total
Wages and related expenses	\$ 234,876	\$ 242,189	\$ 150,824	\$ 627,889	\$ 274,129	\$ 296,834	\$ 1,198,852
Exhibits	6,220	-	-	6,220	-	-	6,220
Professional services	2,820	-	-	2,820	110,131	73,879	186,830
Operating expenses	1,192	13,214	18,012	32,418	19,816	22,329	74,563
Telephone and fax	517	1,550	2,067	4,134	3,100	3,100	10,334
Postage and freight	478	725	5,241	6,444	28,766	2,592	37,802
Utilities	21,443	12,253	9,190	42,886	21,811	-	64,697
Repairs and maintenance	34,388	22,434	381	57,203	50,579	777	108,559
Printing	1,126	10,893	7,264	19,283	60,228	10,642	90,153
Travel and development	3,522	5,732	120	9,374	3,776	13,405	26,555
Depreciation	76,360	24,299	24,299	124,958	45,304	-	170,262
Insurance	10,700	10,700	10,700	32,100	16,537	-	48,637
Advertising	13,726	13,343	3,875	30,944	23,254	1,371	55,569
Dues and subscriptions	2,941	45	526	3,512	4,075	-	7,587
Software licensing	420	-	2,488	2,908	4,904	13,376	21,188
Events and tours expense	1,073	473,176	-	474,249	22,197	28,543	524,989
Classes expense	-	90,225	-	90,225	-	-	90,225
Cost of goods sold	-	-	273,641	273,641	-	-	273,641
Rental expense	-	-	-	-	4,454	-	4,454
Curatorial expense	912	-	-	912	-	-	912
Interest expense	-	-	-	-	14,328	-	14,328
Unrelated business income tax	-	-	-	-	1,743	-	1,743
Bad debt expense	-	-	-	-	-	100	100
<b>Total expenses</b>	<b>\$ 412,714</b>	<b>\$ 920,778</b>	<b>\$ 508,628</b>	<b>\$ 1,842,120</b>	<b>\$ 709,132</b>	<b>\$ 466,948</b>	<b>\$ 3,018,200</b>

See Accompanying Notes to Financial Statements



VESTERHEIM NORWEGIAN-AMERICAN MUSEUM  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,876,828	\$ 198,312
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Contributions restricted for endowment purposes	(19,932)	(66,135)
Contributions restricted for long-term purposes	(100,000)	(2,000,000)
Depreciation	156,351	170,262
Bad debt expense	-	100
Amortization of discount on promises to give	(14,563)	36,314
Realized and unrealized loss (gain) on investments	(2,218,601)	1,972,196
Donated investments		(11,046)
Cash surrender value - life insurance	(3,826)	(1,809)
Change in beneficial interest in remainder trusts	15,975	309,638
(Increase) decrease in assets:		
Accounts receivable	12,913	(8,329)
Promises to give	59,400	(561,651)
Prepaid expenses	(32,088)	9,709
Inventories	7,220	(303)
Increase (decrease) in liabilities:		
Accounts payable	105,081	61,760
Accrued expenses	(959)	17,134
Deferred revenue	90,179	8,880
Net cash flows provided by (used in) operating activities	<u>(66,022)</u>	<u>135,032</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant, equipment purchases	(128,953)	-
Transfer to museum	(50,000)	-
Proceeds from sale of investments	1,561,483	1,215,910
Purchases of investments	(1,532,940)	(2,122,493)
Net cash flows used in investing activities	<u>(150,410)</u>	<u>(906,583)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from margin loan	301,934	699,997
Payments on margin loan	(301,967)	(700,073)
Line of Credit Utilization	125,050	-
Proceeds from contributions restricted for long-term purposes	150,000	2,000,000
Proceeds from contributions restricted for endowment	19,932	66,135
Net cash flows provided by financing activities	<u>294,949</u>	<u>2,066,059</u>
Net increase in cash and cash equivalents	78,517	1,294,508
Cash and cash equivalents - beginning of period	2,594,476	1,299,968
Cash and cash equivalents - end of period	<u>\$ 2,672,993</u>	<u>\$ 2,594,476</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 18,257</u>	<u>\$ 14,328</u>
Accrued Property Plant Equipment Payables	<u>\$ 43,368</u>	<u>\$ -</u>
Noncash investing and financing activities:		
Donated investments	<u>\$ -</u>	<u>\$ 11,046</u>
<b>Reconciliation of cash and cash equivalents to statement of financial position:</b>		
Cash and cash equivalents	\$ 474,583	\$ 485,165
Restricted cash equivalents	2,198,410	2,109,311
Total cash and cash equivalents	<u>\$ 2,672,993</u>	<u>\$ 2,594,476</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies

The financial statements of Vesterheim Norwegian-American Museum, (the Museum) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements.

a. Nature of Activities

The Museum is a nonprofit organization, which provides for the study, preservation and sharing of Norwegian-American history. The Decorah site serves the local community as well as individuals and organizations throughout North America and the Scandinavian countries of Western Europe.

The Museum is a national treasure that explores the diversity of American immigration through the lens of Norwegian-American experience, showcases the best in historic and contemporary Norwegian folk and fine arts, and preserves living traditions through classes in Norwegian culture and folk art, including rosemaling (decorative painting), woodworking, knife making, traditional food ways and textile arts. For complete schedules of events, exhibitions, classes, and more information about ways to donate, check out Vesterheim online at [vesterheim.org](http://vesterheim.org).

b. Basis of Presentation

The Museum is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets with donor restrictions* carry restrictions that expire upon the passage of a prescribed period, upon the occurrence of a stated event as specified by the donor, or those that may never be spent by the Museum, including gifts of endowment, as well as the earnings on those assets when restricted by the donor. Donor-restricted resourced intended for capital projects are released and reclassified as without donor restrictions support when spent. Also included in this category are contributions receivable that are permanently restricted upon redemption or maturity.

*Net assets without donor restrictions* are composed of all resources not included in the net assets with donor restrictions category. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment. Included are expendable resources used to support the Museum's core activities. All expenses are recorded as a reduction to net assets without donor restrictions.

c. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Total assets, net assets and change in net assets were unchanged due to these reclassifications.

d. Cash and Cash Equivalents

For purposes of reporting on the statements of cash flows, the Museum includes all cash and money market accounts available for current operations as cash and cash equivalents. Cash equivalents classified as noncurrent represents funds restricted for specific purposes that are reported as cash flows from investing activities.

NOTES TO FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies (Continued)

e. Receivables

The Museum considers all receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

f. Promises to Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value. Promises to give receivable in one year or more are discounted to the present value of their net realizable value, using risk-free interest rates applicable to the year in which the promises are to be received.

Amortization of the discounts is recognized as support. The Museum considers all promises to give to be fully collectible and accordingly, no allowance for doubtful accounts is made. If promises to give become uncollectible, they will be charged to operations when that determination is made.

The Museum has been named as a beneficiary in various individual donor's wills and revocable trusts. The donor has a right to redirect the use of the transferred assets to another beneficiary and the value of the intended gifts has not been established; therefore, the gifts have not been recognized as an asset or contribution revenue. The Museum has been notified that it has been named as a beneficiary in two pending estates. The amount that the Museum expects to receive has not been determined.

g. Inventories

Inventories are stated at the lower of cost or net realizable value, using the weighted average method. Inventories consist primarily of Norwegian-related books, crafts and other items for resale.

h. Investments

The Museum carries investments at their fair values in the statements of financial position. Cash and money markets are reported at cost, which closely approximates fair value. Realized and unrealized gains and losses net of investment expense are included in the change in net assets in the accompanying statements of activities. The Museum maintains a master investment account for its donor-restricted endowments and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment account are allocated monthly to the individual fund based on the relationship of the market value of each fund to the total market value of the master investment account, as adjusted for additions to or deductions from those accounts. The Museum has a separate investment account for its board-designated cash reserve and donor-restricted investment.

The Museum adopted an Asset Management Policy in October 2015, which includes an asset allocation policy, cash management policy and endowment policy. According to the policy, the board-designated cash reserve is invested in quality fixed assets of average 2-year maturities with an average total return objective of the consumer price index change plus one percent. The earnings of the board-designated cash reserve are reinvested. The purpose of the board-designated cash reserve account is to provide funds to prevent disruption in operating cash flows. See Note 15 for details on the endowment policy.

1. Summary of Significant Accounting Policies (Continued)

i. Property and Equipment

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the statements of activities as net assets released from restrictions. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Museum's Board of Trustees established a \$15,000 threshold amount for capitalization.

j. Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. A review of such assets of the Museum has not indicated any material effect on the Museum's financial position or results of operations.

k. Beneficial Interest in Trusts

Beneficial interest in trusts consists of assets held in charitable remainder trusts, beneficial interests in charitable remainder trusts and life estates. Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the Museum receives the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded at the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Not all of the information is available regarding the types of underlying assets that are held by the trustee. Changes in net assets of the trusts are recorded as gains or losses (change in value of beneficial interest in remainder trusts) in the statements of activities.

l. Support and Revenue Recognition

The Museum recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. At the time the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue for events, tours and class tuition is not recognized until the event/tour/class (Event) has taken place. Deposits that are received prior to the Event occurring are held in a liability account. Once the Event is held, the appropriate funds are transferred from the liability account to the revenue account. Revenue from store sales and admissions is recognized at the time of the transaction.

NOTES TO FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies (Continued)

Matching revenue received subsequent to the issuance of ASU-2018-08, will be recognized following the new guidance. Revenue is recognized when the Museum has incurred expenditures in accordance with specified requirements. Such amounts earned, but not received, are reported as receivables. Such amounts received, but not earned, are reported as deferred revenue. Museum memberships renew annually throughout the year. The portion of membership revenue not earned in the current fiscal year is recorded in deferred income and presented in the liability section of the Statement of Financial Position.

m. Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Accordingly, certain costs have been allocated among the program services and support activities benefited. Expenses are allocated to program and supporting services on the following bases: 1) wages and related expenses are allocated on the basis of estimated time spent in area, 2) telephone, insurance, and utilities are allocated based on estimated usage, and 3) depreciation is allocated on the basis of estimated building and equipment usage.

The following program services are included in the accompanying financial statements:

*Collections Care* – the Museum houses a collection of over 33,000 artifacts, a complex of sixteen buildings and a farmstead. Staff provides care and upkeep as well as acquire new artifacts.

*Education* – the Museum offers education classes on various Norwegian traditions and offers educational guided tours of Norway to its members and the public.

*Museum Store* – the Museum has Norwegian-related books, crafts and other items for resale to its members and the public.

n. Income Tax Status

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Museum's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

o. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

p. Change in Accounting Principle

The Museum early adopted new guidance from FASB, Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition and deferred revenue. The impact of adopting the guidance was a decrease in 2019 revenues of \$86,546. Although, no restatement was done for 2018, this deferral would have resulted in \$88,600 of membership revenue being deferred to 2019. The following are line items from the statement of activities and statement of cash flows for the year ended December 31, 2019 that were affected, the amounts that would have been reports under the former guidance, the effects of applying the new guidance, and the accounts reported under the new guidance:

	<u>Amounts that Would Have Been Reported</u>	<u>Effects of Applying the New Guidance</u>	<u>As Reported</u>
<u>Revenues</u>			
Admissions, Memberships and Publication Fees	\$ 296,463	\$ (86,546)	\$ 209,917
Change in Net Assets	\$ 1,963,374	\$ (86,546)	\$ 1,876,828
<u>Cash Flows</u>			
Net Income	\$ 1,963,374	\$ (86,546)	\$ 1,876,828
Deferred Revenue	\$ 3,633	\$ 86,546	\$ 90,179

The Museum adopted the FASB, Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies the transfer of assets, distinguishing which are contributions versus exchange transactions. Grants and contributions received were assessed and determined if these were conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of the promisor from its obligation to transfer assets. This assessment did not change any revenue recognition with existing grants or contributions.

q. Advertising

The Museum uses advertising to promote its programs and products for the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2019 and 2018, advertising costs totaled \$53,826 and \$55,569, respectively.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

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2. Liquidity and Availability

Financial assets for general expenditure, that is, without donor, board, or other restrictions limiting their use, within one year of the balance sheet date, are comprised of Cash and Cash Equivalents and Accounts Receivable of \$491,066 and \$541,581 for the years ended December 31, 2019 and 2018, respectively as shown below:

	2019	2018
Cash and Cash Equivalents	\$ 474,583	\$ 485,165
Account Receivable	16,503	29,416
Total	\$ 491,086	\$ 514,581

The Museum’s endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Museum’s board-designated endowment of \$2,094,229 is subject to an annual spending rate of 5% as described in Note 15. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board’s spending policy), these amounts could be made available if necessary.

As part of the liquidity policy, cash in excess of daily requirements are invested in a cash reserve fund. Financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. The Museum also has a line of credit available see Note 11.

3. Grants

On October 17, 2016, the Museum was awarded a \$300,000 grant from the Margaret A. Cargill Foundation. The grant is for the period of November 1, 2016 through October 31, 2019. This grant was amended on February 27, 2019 increasing the award amount to \$405,000. This grant period was also extended through October 31, 2020. The Museum received \$150,000 in 2016, \$105,000 in 2018, and \$150,000 in 2019. The grant is in support of the “Expanding Vesterheim’s Folk Art Horizons” project.

On December 5, 2018, the Museum was awarded another grant from the Margaret A. Cargill Foundation for \$2,000,000, plus up to \$500,000 payable in matching funds. The grant is for the period of January 1, 2019 through December 31, 2021. The Museum received \$2,000,000 in December 2018. Donations of \$100,000 were received in 2019, which was submitted for the matching funds from the foundation. These matching funds were received and recognized in 2019. The purpose of the project is to build upon and create public spaces by developing the Open-Air Division and the Cary building.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

4. Promises to Give

Promises to give as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
Amounts receivable in:		
Less than one year	\$ 253,200	\$ 207,600
One to five years	264,000	369,000
More than five years	None	None
Promises to give	517,200	576,600
Less discounts to net present value	22,312	36,875
Promises to give, net	\$ 494,888	\$ 539,725

Promises to give as of December 31, 2019 and 2018 consist of promises for the following purposes:

	2019	2018
Annual fund	\$ 105,700	\$ 129,000
Special projects	26,500	2,600
Campaign projects	355,000	405,000
Endowment	30,000	40,000
Promises to give	\$ 517,200	\$ 576,600

Promises receivable in more than one year were discounted at 5.28% in 2019 and 4.91% in 2018.

5. Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
Land	\$ 432,952	\$ 432,952
Building and improvements	5,088,457	5,088,457
Outdoor exhibits	418,609	246,288
Furniture and equipment	572,953	572,953
Property and equipment	6,512,971	6,340,650
Less accumulated depreciation	3,947,381	3,791,030
Property and equipment, net	\$ 2,565,590	\$ 2,549,620

Depreciation expense for the years ended December 31, 2019 and 2018 was \$156,350 and \$170,262, respectively. For the years ended December 31, 2019 and 2018, property and equipment included non-depreciable items of \$595,201.



VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

6. **Investments**

Investments as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
Cash and money market funds	\$ 188,741	\$ 459,154
Accrued interest	9,043	11,681
Common stocks	9,168,505	7,140,438
Government securities	0	14,818
Corporate bonds	151,006	229,291
Bond mutual funds - restricted	652,015	671,838
Bond mutual funds	783,395	962,440
Mutual funds	2,128,035	1,372,479
Investments	\$ 13,080,740	\$ 10,862,139

Investment return for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest and dividends	\$ 333,919	\$ 326,118
Investment expense	(57,955)	(60,304)
Net realized and unrealized gain	2,674,116	(1,972,196)
Investment return	\$ 2,950,080	\$ (1,706,382)

7. **Restricted Assets**

The Museum maintains a separate cash account for major maintenance and other special projects in accordance with the donor's stipulations. The interest on the account is also restricted. As of December 31, 2019 and 2018, the Museum has unspent donations that are restricted for various projects as shown below.

	2019	2018
Pledges yet to be received	\$ 517,200	\$ 570,600
Held in separate cash accounts in accordance with donor restrictions	2,198,410	2,109,311
Other cash and investment accounts	1,183,305	1,138,275
Total restricted assets	\$ 3,898,915	\$ 3,818,187

8. **Cash Surrender Value**

The Museum is the beneficiary of life insurance policies with a composite death benefit at December 31, 2019 and 2018 of approximately \$115,680 and \$123,011, respectively. The cash value of the life insurance policies was \$68,572 and \$64,746 as of December 31, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

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9. Beneficial Interest in Remainder Trusts

The Museum has been notified that it is the beneficiary in several remainder trusts. The donor with specific requirements, which for several include annual payments to the donor, has set up each trust. At the time of the death of a donor, the remaining assets held by the trust or a percentage of those assets will be distributed to the Museum as determined by the trust agreement. The portion of these trusts expected to be received by the Museum as of December 31, 2019 and 2018 is \$87,724 and \$121,749, respectively. The estimates were based on the donors' life expectancies, the use of 5.28% (2019), 4.91% (2018) discount rate and a growth rate of 2%. The amount was recorded in the statements of financial position as beneficial interest in remainder trusts and the change in the value of beneficial interest in remainder trusts is included in the statements of activities.

10. Collections

In conformity with the practice followed by many museums, artifacts purchased and donated are not included in the statements of financial position. The Museum does not capitalize its collections; the values of the objects acquired by gift are not recognized in the statements of activities. During the years ended December 31, 2019 and 2018, purchases of artifacts amounted to \$354 and \$695, respectively.

The Museum's collections are on display and used by researchers, historians and others who are interested in studying the Norwegian and Norwegian-American culture. The Museum employs curators to ensure the collections are protected and preserved. In the normal course, collection items are not to be sold but rather maintained in perpetuity. However, should the Museum's Board deem it appropriate to dispose of an item, any proceeds from the disposal will be used to purchase new items for the collection. The proceeds are accounted for in the board-designated collections fund. There were no proceeds from the sale of collection items in 2019 or 2018.

11. Line of Credit

The Museum has revolving lines of credit with Decorah Bank and Trust Company. The lines of credit include \$300,000 for operations and \$750,050 for the implementation of the Master Plan, (campaign and capital expenses).

As of December 31, 2019 and 2018, there was an outstanding balance of \$125,000 and \$0 respectively on the operating line of credit. The operating line of credit carried an interest rate of 5.0% in 2019 and 5.0% in 2018. The line of credit matured in September 2019 and was renewed with an interest rate of 4.75% and a new maturity date of September 2020. The Museum had interest expense attributable to the operating line of credit for the years ended December 31, 2019 and 2018 of \$1,944 and \$0 respectively.

The Master Plan line of credit had \$50 balance as of December 31, 2019. The interest rate on this line of credit was 4.5% in 2019. The line of credit was issued on November 12, 2019, with a maturity date of November 12, 2020.

These lines of credit are secured by the Museum's receivables, inventory, equipment and documents of title.

The Museum also has a line of credit with Edward Jones, which has a limit of \$20,553 with an interest rate of 6.75%. As of December 31, 2019 and 2018, there was no outstanding balance.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

12. Margin Loan

The Museum secured financing for the purchase of the Cary property from Charles Schwab in the form of a margin loan in April 2015. The margin loan agreement is secured by the master investment account and the board-designated cash reserve investment account. The Museum can utilize the facility for business purposes as long as the amount borrowed is less than 50% of the secured collateral. As of December 31, 2019, the amount available was calculated at \$1,550,000. The balance on the margin loan at December 31, 2019 and 2018 was \$352,049 and \$352,016, respectively. The interest rate, charged monthly on the average daily balance of actual amount borrowed is 225 basis points over the federal funds rate. The margin loan interest rate at December 31, 2019 and 2018 was 4.63% and 4.07%, respectively. Interest expense for the margin loan was \$16,313 and \$14,328 for the years ended December 31, 2019 and 2018, respectively.

13. Restrictions on Net Assets

The Board of Trustees of the Museum has designated net assets without donor restrictions for the following purposes:

	2019	2018
Board-designated endowment funds	\$ 2,094,363	\$ 1,654,377
Board-designated cash reserve funds	706,531	946,016
Board-designated collections funds	29,365	29,365
Undesignated	1,850,715	2,236,983
Net assets without donor restrictions	\$ 4,680,974	\$ 4,866,741

Net assets with donor restrictions restricted for the following purposes or periods as of December 31, 2019 and 2018:

	2019	2018
<b>Subject to expenditure for specified purpose:</b>		
Collections	\$ 164,896	\$ 153,084
Capital projects	14,262	15,862
Exhibits	138,320	74,845
Education	925,305	841,748
Administration	36,680	41,631
Campaign	2,069,084	2,624,390
Publications	46,298	66,627
	3,394,845	3,818,187

Not subject to spending policy or appropriation:

Beneficial interest in perpetual trust	None	None
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VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

13. Restrictions on Net Assets (Continued)

Subject to the Museum's endowment spending policy and appropriation:

Collection	\$ 871,339	\$ 698,673
Education	3,823,587	3,126,232
Underwater endowment funds	0	(37,518)
General use	4,856,076	3,800,125
	9,551,002	7,587,512
Net assets with donor restrictions	\$ 13,460,509	\$ 11,405,699

14. Community Foundation

In April 2017, the Museum contributed \$10,000 to the Community Foundation of Northeast Iowa (Foundation) in order to establish a permanent designated agency endowment fund. This fund is administered by the Foundation for the benefit of the Museum. Control over the investment or reinvestment of this fund is exercised exclusively by the Foundation.

In December 2017, a separate donor gave \$10,000 to Vesterheim's permanent designated agency endowment fund at the Foundation. The donor selected Vesterheim as its specific nonprofit institution as the recipient and grants are made to it annually as long as Vesterheim remains in existence and continues to fulfill its intended purpose.

The balance of the endowment fund at the Foundation was \$22,803 as of December 31, 2019. The Museum received disbursements from this fund of \$527 in 2019 and \$0 in 2018.

	<u>2019</u>	<u>2018</u>
Balance January 1	\$ 19,971	\$ 21,020
<b>Additions</b>		
Gains/Losses	3,245	(1,161)
Interest/Dividends	361	356
<b>Total Additions</b>	<b>3,606</b>	<b>(805)</b>
<b>Withdrawals</b>		
Administrative Fees	218	214
Grant Payments	527	0
Investment Fees	29	31
<b>Total Withdrawals</b>	<b>774</b>	<b>244</b>
<b>Ending Balance</b>	<b>\$ 22,803</b>	<b>\$ 19,971</b>

**15. Endowments**

The Museum's endowment consists of thirty-four individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Trustees has interpreted 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. As a result of this interpretation, the Museum retains in perpetuity and classifies as net assets with donor restrictions (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 the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies*

The Museum's Asset Management Policy includes the investment and spending policies for the endowment assets that are designed to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The endowment is invested to achieve net total average five-year real rate of return of 6% plus average consumer price index change.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to a level of risk that is not acceptable to the Board of Trustees. In order to meet the above investment objectives, the Museum adopted a new target mix, 6% plus inflation, for the endowment that should approximate 95% equity assets and 5% fixed income assets.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

15. Endowments (Continued)

*Spending Policy*

As per the new spending policy approved at the April 2017 board meeting, the endowment started distributing 1.25% each quarter of a 12-quarter moving average of the total market value of the endowment, an annual rate of 5%.

Endowment net asset composition by type of fund as of December 31, 2019 and 2018 are as follows:

	2019	2018
Endowment funds with donor restrictions	\$ 9,580,963	\$ 7,587,512
Board-designated endowment without donor restrictions	2,168,402	1,654,377
	<u>\$ 11,749,365</u>	<u>\$ 9,241,889</u>

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

2019	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 1,654,377	\$ 7,587,512	\$9,241,889
Contributions	92,006	89,698	107,531
Change in beneficial interest in remainder trusts	None	None	None
Investment return, net	512,772	2,323,524	2,836,296
Amounts appropriated for expenditure	(90,753)	(410,004)	(500,757)
Endowment net assets, end of year	<u>\$ 2,168,402</u>	<u>\$ 9,590,730</u>	<u>\$ 11,749,365</u>

  

2018	Without Donor Restrictions	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,038,977	\$ 9,244,783	\$ 11,283,760
Contributions	20,394	26,135	46,529
Change in beneficial interest in remainder trusts	None	106,612	106,612
Investment return, net	(318,595)	(1,416,365)	(1,734,960)
Amounts appropriated for expenditure	(86,399)	(373,653)	(460,052)
Endowment net assets, end of year	<u>\$ 1,654,377</u>	<u>\$ 7,587,512</u>	<u>\$ 9,241,889</u>

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

15. Endowments (Continued)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration (underwater endowments). There were no deficiencies as of December 31, 2019.

16. Lease Obligations

The Museum enters into various operating lease arrangements for office equipment. The Museum has a lease arrangement that is from October 2017 through October 2022 at \$730 per month and another that is from May 2015 through July 2020 at \$136 per month. The Museum also engages in short-term leases as needed. Lease expense for the years ended December 31, 2019 and 2018 were \$10,101 and \$9,807 respectively.

Future minimum lease payments for the years ending December 31, 2020, 2021, and 2022 are \$9,714, \$8,760, and \$7,300 respectively.

17. Concentration of Credit Risk and Contribution Revenue

The Museum maintains its cash balances in several financial institutions located in Iowa. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. As of December 31, 2019 and 2018, the Museum's uninsured cash balances totaled \$2,276,623 and \$2,243,911, respectively.

Uninsured Cash Accounts

	DB&T balances as of 12/31/2019	
	<u>2019</u>	<u>2018</u>
Operating	\$ 432,978	\$ 492,293
Travel A/C	698	530
DB&T Campaign	491	
Cargill	2,092,455	2,001,088
FDIC Limit	(250,000)	(250,000)
Uninsured limit per FDIC	\$ 2,276,622	\$ 2,243,911

For the year ended December 31, 2019, approximately 25% or \$255,179 of the Museum's contribution revenue came from trustees compared to 5% or \$151,284 in 2018. As of December 31, 2019, approximately 68% of the Museum's promises to give was from five donors who were members of the Board during the fiscal year. See Note 20.

18. Donated Services

No amounts have been reflected in the financial statements for donated services. The Museum generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Museum.

19. Retirement Plan

The Museum has adopted a tax shelter annuity retirement plan. Any employee who is at least 21 years of age may contribute to the plan out of pre-tax earnings. For all qualifying employees, the Museum will also match the employees' contribution to this plan, up to a maximum of 5% of salary following one year of service and a minimum of 1,000 hours. These contributions totaled \$31,671 and \$37,326 for the years ended December 31, 2019 and 2018, respectively.

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

20. Related Parties

Included in revenue, gains and other support for the years ended December 31, 2019 and 2018 are cash contributions of \$165,179 and \$91,284, respectively, received from certain officers and trustees of the Museum. As of December 31, 2019 and 2018, promises to give includes \$378,000 and \$567,000, respectively, from these individuals.

21. Fair Value Measurements

Fair value of assets measured on a recurring basis as of December 31, 2019 and 2018 are as follows:

2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 9,168,505	\$ 9,168,505	\$ None	\$ None
Corporate bonds	151,006	None	151,006	None
Bond mutual funds	1,082,711	1,082,711	None	None
Equity mutual funds	2,128,035	2,128,035	None	None
Beneficial interest in remainder trusts	\$ 87,724	None	None	87,724
	\$ 12,617,981	\$ 12,379,251	\$ 151,006	\$ 87,724

2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 7,140,438	\$ 7,140,438	\$ None	\$ None
Government securities	14,818	None	14,818	None
Corporate bonds	229,291	None	229,291	None
Bond mutual funds	1,634,278	1,634,278	None	None
Equity mutual funds	1,372,479	1,372,479	None	None
Beneficial interest in remainder trusts	121,749	None	None	121,749
	\$ 10,513,053	\$ 10,147,195	\$ 244,109	\$ 121,749



VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

21. **Fair Value Measurements (Continued)**

In level 1, fair values for common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. The mutual funds are determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date. There were no changes in valuation techniques during the year. Fair values for investments in level 2 are determined based on recent prices of similar assets. Fair values for Level 3 are based upon significant unobservable inputs for the asset or liability.

Government securities and corporate bonds in Level 2 are valued based on broker quotes that are corroborated using observable market data, such as quotes for the identical security in an inactive market or quotes for a similarly rated security in an active market.

The Museum's beneficial interest in remainder trusts (Level 3) represents an agreement between donors and the Museum so that the Museum will receive specified assets at the time of the donors' death. The beneficial interest is not actively traded, and significant other observable inputs are not available. The unobservable inputs are the underlying assets controlled by the trustee. Not all of the information is available regarding the types of underlying assets that are held by the trustee. The Museum's fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to the Museum. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	<b>Beneficial Interest in Remainder Trusts</b>
Balance at January 1, 2019	\$ 121,749
Distribution	(50,000)
Change in value of beneficial interest included in change in net assets	15,975
Balance at December 31, 2019	\$ 87,724
	<b>Beneficial Interest in Remainder Trusts</b>
Balance at January 1, 2018	\$ 431,387
Change in value of beneficial interest included in change in net assets	104,654
Distribution received from trust, which reduced the receivable	(414,292)
Balance at December 31, 2018	\$ 121,749

VESTERHEIM NORWEGIAN-AMERICAN MUSEUM

NOTES TO FINANCIAL STATEMENTS

22. Capital Campaign

Vesterheim started a capital campaign entitled “Connecting Cultures: The Campaign for Vesterheim.” The campaign start date is January 1, 2018 and the end date will be in 2025. On September 4, 2019, the museum entered into an agreement with American City Bureau (ACB) for advice and assistance in conducting a successful capital campaign. The contract consists of two phases, of which the Museum agrees to pay ACB \$46,000 for Phase 1, and \$360,000 for Phase 2, plus transportation, lodging, meals and other costs incurred by ACP personnel in relation to the contract. As of December 31, 2019, the Museum incurred expenses of \$23,173 under this contract.

23. Revenue

The following table shows the Museum’s revenue disaggregated according to the timing of the transfer of goods or services:

Revenue recognized at a point in time	2019	2018
Events	\$ 47,530	\$ 52,847
Admissions	108,188	121,437
Tours and tuition	534,053	722,137
Sales of merchandise	480,354	480,222
 Total	 \$ 1,170,125	 \$ 1,376,643
 Revenue recognized over time		
Membership	\$ 101,729	\$ 175,120

24. Deferred Revenue

The following table shows the Museum’s deferred revenue:

	2019	2018
Other, deposits	\$ 2,027	\$ 3,095
Membership	86,547	-
Tours and tuition	88,844	84,142
Total	\$ 177,418	\$ 87,237

25. Commitment

In 2018, the Museum entered into a contract with Snøhetta for a master planning and vision study for the Vesterheim Museum Campus. The total fee (which excludes any reimbursable expenses and applicable taxes) is \$342,000 and will be billed after each of the three phases are complete. Phase 1 was completed in 2019. A revised contract for concept designs for Phases 2 and 3, contractor selection, and visual identity tasks, was signed in early 2020, with associated fees of \$460,000.

26. Subsequent Events

Management has evaluated subsequent events through August 17, 2020, the date on which the financial statements were available to be issued. Operations were suspended as of March 16, 2020 due to the COVID-19 global pandemic. The museum and museum store were closed to the public and all folk art classes were cancelled for March and April at that time.

The museum store continued operating, processing on-line and phone orders that are shipped, picked up or delivered locally. The museum and museum store are scheduled to remain closed until established protocols for reopening are met, with a significant factor being a trend in lower number of new positive cases reported daily. All in-person folk art classes have been cancelled for the remainder of 2020. Class registrants were given the option of receiving a refund of the class fees paid, or to convert these to a one-time donation to the museum. The Norwegian tours scheduled for July and August, 2020 were cancelled in March and refunds were sent.

Vesterheim applied for the Payroll Protection Program through the Small Business Administration and received a \$237,657 loan to cover payroll and utilities from April 9 – June 4, which has been extended to 24 weeks or August 27<sup>th</sup>. The museum will apply for loan forgiveness at the end of this period and will likely qualify for 100% of loan forgiveness. A revised budget was approved by the Board of Directors in April, with total expenses of \$2.3 million (reduced from \$2.9 million). The budget and operations will continue to be re-evaluated as further directives are issued by the government and the museum leadership believes it is safe to re-open to the public.

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