

NORDIC NORTHWEST

Audited Financial Statements

For the Year Ended February 28, 2019



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nordic Northwest

We have audited the accompanying financial statements of Nordic Northwest (a nonprofit corporation), which comprise the statement of financial position as of February 28, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nordic Northwest as of February 28, 2019, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Nordic Northwest's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
June 24, 2019

NORDIC NORTHWEST
STATEMENT OF FINANCIAL POSITION
February 28, 2019
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 274,432	\$ 33,798
Pledges receivable	20,068	56,598
Prepaid expenses	1,557	-
Property and equipment, net	5,349,765	5,453,036
Cash value of life insurance policies, net	9,804	507,365
Museum collection	<u>13,921</u>	<u>13,921</u>
 TOTAL ASSETS	 <u>\$ 5,669,547</u>	 <u>\$ 6,064,718</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 53,389	\$ 30,113
Line of credit	-	120,000
Deferred revenue	85,446	32,963
Notes payable	<u>493,188</u>	<u>2,188,221</u>
Total liabilities	<u>632,023</u>	<u>2,371,297</u>
Net assets (deficit):		
Without donor restrictions:		
Undesignated	(10,866)	114,350
Net property and equipment	<u>4,856,577</u>	<u>3,144,815</u>
Total without donor restrictions	4,845,711	3,259,165
With donor restrictions	<u>191,813</u>	<u>434,256</u>
Total net assets	<u>5,037,524</u>	<u>3,693,421</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,669,547</u>	 <u>\$ 6,064,718</u>

See notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF ACTIVITIES
For the year ended February 28, 2019
(With comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions	\$ 631,340	\$ 1,025,000	\$ 1,656,340	\$ 83,060
Special events, net of direct expenses of \$87,776 in 2019 and \$68,714 in 2018	252,532	-	252,532	180,559
Membership	77,017	-	77,017	97,293
Program fees	236,383	-	236,383	198,851
Rental income	86,573	-	86,573	87,853
Other income	6,889	-	6,889	862
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,028,853	(1,028,853)	-	-
Total support and revenue	2,319,587	(3,853)	2,315,734	648,478
Expenses:				
Program services:				
Cultural center	496,562	-	496,562	462,570
PSU cluster fund	15,836	-	15,836	19,003
Other programs	300,124	-	300,124	294,618
Total program services	812,522	-	812,522	776,191
Administration	114,786	-	114,786	141,041
Fundraising	85,026	-	85,026	55,499
Total expenses	1,012,334	-	1,012,334	972,731
Change in net assets from operations	1,307,253	(3,853)	1,303,400	(324,253)
Nonoperating activities:				
Change in cash values of life insurance policies	-	35,703	35,703	(3,089)
Capital contributions	-	5,000	5,000	68,160
Net assets released from restrictions:				
Satisfaction of purpose restrictions	279,293	(279,293)	-	-
Change in net assets	1,586,546	(242,443)	1,344,103	(259,182)
Net assets:				
Beginning of year	3,259,165	434,256	3,693,421	3,952,603
End of year	<u>\$ 4,845,711</u>	<u>\$ 191,813</u>	<u>\$ 5,037,524</u>	<u>\$ 3,693,421</u>

See notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018
(With comparative totals for 2017)

	Program Services	Administration	Fundraising	2018 Total	2017 Total
Salaries and related expenses	\$ 314,941	\$ 18,526	\$ 37,052	\$ 370,519	\$ 295,446
Building and other related expenses	130,429	-	-	130,429	104,934
Program expenses	93,285	-	-	93,285	123,552
Office expense	34,115	23,657	6,420	64,192	68,359
Insurance	-	15,764	-	15,764	18,604
Newsletter	13,800	-	-	13,800	10,190
Professional services	2,248	46,028	562	48,838	65,129
Fundraising for events	-	-	112,573	112,573	72,206
Capital campaign fundraising	-	-	16,195	16,195	13,687
Depreciation	155,550	8,187	-	163,737	160,762
Other costs	5,760	2,624	-	8,384	34,404
Interest expense	62,394	-	-	62,394	74,173
	812,522	114,786	172,802	1,100,110	1,041,446
Less event expenses netted with revenue on statement of activities	-	-	(87,776)	(87,776)	(68,715)
Total expenses	<u>\$ 812,522</u>	<u>\$ 114,786</u>	<u>\$ 85,026</u>	<u>\$ 1,012,334</u>	<u>\$ 972,731</u>

See notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF CASH FLOWS
For the year ended February 28, 2019
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,344,103	\$ (259,182)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	163,737	160,762
Change in cash values of life insurance policies	(35,703)	3,089
Contributions restricted for long-term purposes	(41,530)	(159,515)
Note payment forgiven as contribution	(250,000)	(10,000)
(Increase) decrease:		
Pledges receivable	36,530	91,355
Prepaid expenses	(1,557)	14,790
Increase (decrease):		
Accounts payable and accrued expenses	23,276	(50,167)
Deferred revenue	52,483	6,036
Net cash flows from operating activities	<u>1,291,339</u>	<u>(202,832)</u>
Cash flows from investing activities:		
Proceeds from (premium payments on) life insurance	533,264	(11,500)
Additions to property and equipment	<u>(60,466)</u>	<u>(49,979)</u>
Net cash flows from investing activities	<u>472,798</u>	<u>(61,479)</u>
Cash flows from financing activities:		
Net proceeds from (payments on) line of credit	(120,000)	120,000
Contributions restricted for long-term purposes	41,530	159,515
Payments on notes payable	(1,511,033)	(136,690)
Proceeds from notes payable	<u>66,000</u>	<u>81,000</u>
Net cash flows from financing activities	<u>(1,523,503)</u>	<u>223,825</u>
Net change in cash and cash equivalents	240,634	(40,486)
Cash and cash equivalents - beginning of year	<u>33,798</u>	<u>74,284</u>
Cash and cash equivalents - end of year	<u>\$ 274,432</u>	<u>\$ 33,798</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 62,394</u>	<u>\$ 74,173</u>

See notes to the financial statements.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS
February 28, 2019

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nordic Northwest (the Organization) was incorporated under the laws of the State of Oregon on June 4, 1985 as a nonprofit corporation. The Organization is organized and operated exclusively for its tax exempt purpose, which is to preserve, communicate and celebrate Nordic heritage and culture. The Organization is accomplishing this purpose with its cultural center and museum and by sponsoring an educational outreach programs and Nordic cultural events, ScanFeast and ScanFair, as well as various functions such as lectures and performances. The Organization finished construction of a cultural center and museum during the year ended February 28, 2017.

The Organization is supported by contributions, program services and memberships. Additionally, the Organization's support from two donors approximated 61% of total revenue for the year ended February 28, 2019 (37% from two donors in 2018).

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all liquid investments having maturities of three months or less at date of purchase to be cash equivalents.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions and Pledges Receivable

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period the commitment is communicated. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Property and Equipment

Additions to property and equipment greater than \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets.

Museum Collection Items

Museum collection items are recorded at cost if purchased and at appraised or fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related costs and office expenses, which are allocated on the basis of estimates of time and effort.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

The Organization is a nonprofit corporation exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain fringe benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2018

The financial information as of February 28, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

The Organization has evaluated all subsequent events through June 24, 2019, the date the financial statements were available to be issued. Subsequent events, if any, are disclosed in the notes to the financial statements.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit. See Note 6 for information about the Organization's line of credit.

Financial assets of the Organization consist of the following at February 28, 2019:

	Total Financial Assets	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 274,432	\$ 162,584	\$ 111,848
Pledges receivable	20,068	5,500	14,568
Total financial assets	<u>\$ 294,500</u>	<u>\$ 168,084</u>	<u>\$ 126,416</u>

3. PLEDGES RECEIVABLE

Pledges receivable at February 28, 2019 and 2018 represent unconditional pledges which are receivable as follows:

	2019	2018
Due within one year	\$ 14,568	\$ 47,501
Due within two to five years	2,400	4,900
Due in more than five years	3,100	4,197
Total pledges receivable	<u>\$ 20,068</u>	<u>\$ 56,598</u>

Management believes pledges are fully collectible; therefore, no allowance for uncollectible pledges is reflected.

Conditional Pledges:

In 2011, the Organization was awarded a \$250,000 ten-year program matching grant from ScanDesign Foundation which is receivable as conditions are met. The Organization recognized revenue of \$25,000 and \$29,500 for the years ended February 28, 2019 and 2018, respectively. The remaining conditional grant at February 28, 2019 is \$36,000.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

3. PLEDGES RECEIVABLE, Continued

Outstanding Legacies:

The Organization is the beneficiary under various wills, the total realizable amounts of which are not presently determinable. The Organization's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at February 28, 2019 and 2018:

	2019	2018
Land and improvements	\$ 785,469	\$ 785,469
Building	4,910,514	4,874,280
Furniture and equipment	266,375	250,754
Total property and equipment	5,962,358	5,910,503
Less accumulated depreciation	612,593	457,467
Property and equipment, net	<u>\$ 5,349,765</u>	<u>\$ 5,453,036</u>

5. CASH VALUE OF LIFE INSURANCE POLICIES

The Organization is the beneficiary of two life insurance policies, one of which was cashed out during the year ended February 28, 2019. Proceeds of approximately \$533,000 were used to pay off debt (see Note 6). At February 28, 2019, the remaining policy with a net death benefit of approximately \$12,800, is reflected at the guaranteed cash value of approximately \$12,100, net of an outstanding loan of \$2,300. The proceeds from the net cash value or death benefits under this policy will be available for use in accordance with restrictions stipulated by the donor. Changes in the cash value of the policies are reflected on the statement of activities.

At February 28, 2018, the two policies have a cash value (net of outstanding loan of \$2,200) of approximately \$507,400.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

6. NOTES PAYABLE

Notes payable as of February 28, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Note payable to First Interstate Bank in monthly installments of interest only at index plus 0.25% through June 2017 (index of 4.38% at February 28, 2019); monthly installments of principal and interest of \$7,766 through May 2021; balloon payment of balance at June 2021. Secured by real property, guaranteed by a board member and subject to certain financial covenants.	\$ 252,188	\$ 1,298,702
Note payable to First Interstate Bank, payable in monthly installments of \$9,544 including interest at 3.66%. The loan is guaranteed by a board member, is subject to financial covenants. Paid in full during 2019.	-	193,050
Note payable to First Interstate Bank in monthly installments of interest only at variable rates through February 2019 (3.65% at February 28, 2018); secured by life insurance policy. Paid in full during 2019.	-	271,469
Noninterest-bearing notes payable to a board member. Payment terms and maturity to be agreed upon with individual at a later date; partially secured by a real property.	<u>241,000</u>	<u>425,000</u>
Total notes payable	<u>\$ 493,188</u>	<u>\$ 2,188,221</u>

Future maturities of the notes payable are as follows:

Years ending February 28, 2020	\$ 83,247
2021	87,201
2022	81,740
Thereafter	<u>241,000</u>
	<u>\$ 493,188</u>

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

6. NOTES PAYABLE, Continued

Line of Credit: The Organization established a \$75,000 line of credit from First Interstate Bank. Interest on outstanding advances accrues at prime rate plus .25% (5.75% at February 28, 2019) and the line matures August 30, 2019. There were no outstanding advances at February 28, 2019. Outstanding advances totaled \$120,000 at February 28, 2018.

7. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at February 28, 2019 and 2018 are restricted as follows:

	2019	2018
Expiring restrictions:		
Programs	\$ 138,526	\$ 126,543
Cultural Center	-	203,537
Capital campaign pledges receivable	-	36,000
PSU Cluster	29,558	45,394
Time restricted	9,808	8,861
	177,892	420,335
Perpetual restrictions	13,921	13,921
Total net assets with donor restrictions	<u>\$ 191,813</u>	<u>\$ 434,256</u>

Net assets with perpetual donor restrictions include the museum collection.

8. SPECIAL EVENTS

Special events included the following for the years ended February 28, 2019 and 2018:

	2019			2018		
	Gross	Direct	Net	Gross	Direct	Net
	Revenue	Benefit Expenses	Revenue	Revenue	Benefit Expenses	Revenue
ScanFeast	\$ 212,318	\$ 42,958	\$ 169,360	\$ 189,659	\$ 39,971	\$ 149,688
ScanFair	104,742	32,444	72,298	59,614	28,743	30,871
Midsummer	23,248	12,374	10,874	-	-	-
Special events, net	<u>\$340,308</u>	<u>\$ 87,776</u>	<u>\$252,532</u>	<u>\$ 249,273</u>	<u>\$ 68,714</u>	<u>\$ 180,559</u>

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

9. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in a financial institution located in Portland. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Uninsured balances totaled approximately \$44,000 at February 28, 2019. There were no uninsured balances at February 28, 2018.

10. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at February 28, 2019 and 2018 are as follows:

	<u>Fair Value</u>	<u>Level 2</u>
2019		
Cash value of life insurance policies	\$ 9,804	\$ 9,804
2018		
Investments:		
Cash value of life insurance policies	507,365	507,365

Fair values of life insurance policies are determined using an income approach in accordance with contract terms using published life expectancy tables and applicable discount rates and net of outstanding loans.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2019

II. RELATED PARTY DISCLOSURE

The Organization has notes payable outstanding to a board member. During the year ended February 28, 2018, the board member made additional loans of \$81,000 of which \$10,000 was forgiven. During the year ended February 28, 2019, the board member made additional loans of \$66,000 and forgave \$250,000 as a contribution during the year. See Note 6 for loan disclosure and other loans guaranteed by this board member.

The Organization, at times, may receive donated services from board members (See Note 1, Donated Assets and Services).