

NORDIC NORTHWEST

Reviewed Financial Statements

For the Year Ended February 29, 2020



McDONALD JACOBS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Nordic Northwest

We have reviewed the accompanying financial statements of Nordic Northwest (a nonprofit organization), which comprise the statement of financial position as of February 29, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
September 14, 2020

NORDIC NORTHWEST
STATEMENT OF FINANCIAL POSITION
February 29, 2020
(With comparative totals for 2019)

	(Reviewed) 2020	(Audited) 2019
ASSETS		
Cash and cash equivalents	\$ 332,779	\$ 274,432
Pledges receivable	50,214	20,068
Prepaid expenses	-	1,557
Property and equipment, net	5,241,167	5,349,765
Cash value of life insurance policy, net	10,030	9,804
Museum collection	<u>13,921</u>	<u>13,921</u>
 TOTAL ASSETS	 <u><u>\$ 5,648,111</u></u>	 <u><u>\$ 5,669,547</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 59,623	\$ 53,389
Deferred revenue	110,170	85,446
Notes payable	-	493,188
Total liabilities	<u>169,793</u>	<u>632,023</u>
Net assets (deficit):		
Without donor restrictions:		
Undesignated	44,607	(10,866)
Net property and equipment	<u>5,241,167</u>	<u>4,856,577</u>
Total without donor restrictions	5,285,774	4,845,711
With donor restrictions	<u>192,544</u>	<u>191,813</u>
Total net assets	<u><u>5,478,318</u></u>	<u><u>5,037,524</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 5,648,111</u></u>	 <u><u>\$ 5,669,547</u></u>

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF ACTIVITIES
For the year ended February 29, 2020
(With comparative totals for 2019)

	(Reviewed) 2020			(Audited) 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue:				
Contributions	\$ 127,044	\$ 278,524	\$ 405,568	\$ 1,656,340
Special events, net of direct expenses of \$95,353 in 2020 and \$75,402 in 2019	233,549	-	233,549	241,658
Membership	75,299	-	75,299	77,017
Program fees	118,018	-	118,018	150,101
Rental income	227,576	-	227,576	196,103
Other income	20,363	-	20,363	6,889
Net assets released from restrictions:				
Satisfaction of purpose restrictions	278,019	(278,019)	-	-
Total support and revenue	<u>1,079,868</u>	<u>505</u>	<u>1,080,373</u>	<u>2,328,108</u>
Expenses:				
Program services	612,029	-	612,029	824,896
Administration	112,777	-	112,777	114,786
Fundraising	164,999	-	164,999	85,026
Total expenses	<u>889,805</u>	<u>-</u>	<u>889,805</u>	<u>1,024,708</u>
Change in net assets from operations	190,063	505	190,568	1,303,400
Nonoperating activities:				
Change in cash values of life insurance policies	-	226	226	35,703
Capital contributions	-	250,000	250,000	5,000
Net assets released from restrictions:				
Satisfaction of purpose restrictions	250,000	(250,000)	-	-
Change in net assets	440,063	731	440,794	1,344,103
Net assets:				
Beginning of year	<u>4,845,711</u>	<u>191,813</u>	<u>5,037,524</u>	<u>3,693,421</u>
End of year	<u>\$ 5,285,774</u>	<u>\$ 192,544</u>	<u>\$ 5,478,318</u>	<u>\$ 5,037,524</u>

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended February 29, 2020
(With comparative totals for 2019)

	(Reviewed) 2020				(Audited) 2019
	Program Services	Administration	Fundraising	Total	Total
Salaries and related expenses	\$ 244,234	\$ 35,859	\$ 123,267	\$ 403,360	\$ 370,519
Building and other related expenses	94,718	2,991	1,994	99,703	130,429
Program expenses	48,070	-	-	48,070	105,659
Office expense	36,827	26,762	7,066	70,655	64,192
Insurance	16,579	524	349	17,452	15,764
Newsletter	1,642	-	3,419	5,061	13,800
Professional services	-	38,528	-	38,528	48,838
Fundraising and event expenses	-	-	99,294	99,294	100,199
Capital campaign fundraising	-	-	20,596	20,596	16,195
Depreciation	159,307	5,031	3,354	167,692	163,737
Other costs	2,753	2,833	846	6,432	8,384
Interest expense	7,899	249	167	8,315	62,394
	612,029	112,777	260,352	985,158	1,100,110
Less event expenses netted with revenue on statement of activities	-	-	(95,353)	(95,353)	(75,402)
Total expenses	<u>\$ 612,029</u>	<u>\$ 112,777</u>	<u>\$ 164,999</u>	<u>\$ 889,805</u>	<u>\$ 1,024,708</u>

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF CASH FLOWS
For the year ended February 29, 2020
(With comparative totals for 2019)

	(Reviewed) 2020	(Audited) 2019
Cash flows from operating activities:		
Change in net assets	\$ 440,794	\$ 1,344,103
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	167,692	163,737
Change in cash values of life insurance policies	(226)	(35,703)
Contributions restricted for debt repayment and capital assets	(219,854)	(41,530)
Note payment forgiven as contribution	(241,000)	(250,000)
(Increase) decrease:		
Pledges receivable	(30,146)	36,530
Prepaid expenses	1,557	(1,557)
Increase (decrease):		
Accounts payable and accrued expenses	6,234	23,276
Deferred revenue	24,724	52,483
Net cash flows from operating activities	<u>149,775</u>	<u>1,291,339</u>
Cash flows from investing activities:		
Proceeds from life insurance	-	533,264
Additions to property and equipment	(59,094)	(60,466)
Net cash flows from investing activities	<u>(59,094)</u>	<u>472,798</u>
Cash flows from financing activities:		
Net proceeds from line of credit	-	(120,000)
Contributions restricted for debt repayment and capital assets	219,854	41,530
Payments on notes payable	(252,188)	(1,511,033)
Proceeds from notes payable	-	66,000
Net cash flows from financing activities	<u>(32,334)</u>	<u>(1,523,503)</u>
Net change in cash and cash equivalents	58,347	240,634
Cash and cash equivalents - beginning of year	<u>274,432</u>	<u>33,798</u>
Cash and cash equivalents - end of year	<u>\$ 332,779</u>	<u>\$ 274,432</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 8,315</u>	<u>\$ 62,394</u>

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS
February 29, 2020

I. 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 by sponsoring an educational outreach program and Nordic cultural events, Nordic Nights (ScanFeast in prior year) and ScanFair, as well as various functions such as lectures and performances.

The Organization is supported by contributions, program services, rental income and memberships. Additionally, the Organization's support from one donor approximated 25% of total revenue for the year ended February 29, 2020 (61% from two donors in 2019).

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.

Pledges Receivable

Pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end.

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.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 29, 2020

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

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.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions and Membership: Contributions, which include unconditional promises to give (pledges) and membership fees, are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Program Fees and Rental Income: Program fees and rental income are recognized as revenue in the period that services are provided. Advance payments are recorded as deferred revenue and are recognized as income when the conditions on which they depend have been substantially met.

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, building expenses, insurance, depreciation and office expenses, which are allocated on the basis of estimates of time and effort.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 29, 2020

I. 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. No provision for income taxes is made in the accompanying financial statements, as the Organization has no 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 2019

The financial information as of February 28, 2019 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. The reclassification had no impact on previously reported net assets.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 29, 2020

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.

Financial assets of the Organization consist of the following at February 29, 2020 and February 28, 2019:

	2020	2019
Cash and cash equivalents	\$ 332,779	\$ 274,432
Pledges receivable	50,214	20,068
	<u>382,993</u>	<u>294,500</u>
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	168,593	168,084
Financial assets available for general expenditure	<u>\$ 214,400</u>	<u>\$ 126,416</u>

See Note 6 for information on the line of credit.

3. PLEDGES RECEIVABLE

Pledges receivable at February 29, 2020 and February 28, 2019 represent unconditional pledges which are receivable as follows:

	2020	2019
Due within one year	\$ 29,789	\$ 14,568
Due within two to five years	17,400	2,400
Due in more than five years	3,025	3,100
Total pledges receivable	<u>\$ 50,214</u>	<u>\$ 20,068</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 for the years ended February 29, 2020 and February 28, 2019. The remaining conditional grant at February 29, 2020 is \$11,000.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 29, 2020

3. PLEDGES RECEIVABLE

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 29, 2020 and February 28, 2019:

	2020	2019
Land and improvements	\$ 785,469	\$ 785,469
Building	4,947,324	4,910,514
Furniture and equipment	288,659	266,375
Total property and equipment	6,021,452	5,962,358
Less accumulated depreciation	780,285	612,593
Property and equipment, net	<u>\$ 5,241,167</u>	<u>\$ 5,349,765</u>

5. CASH VALUE OF LIFE INSURANCE POLICY

The Organization is the beneficiary of a life insurance policy. At February 29, 2020, the remaining policy with a net death benefit of approximately \$12,800, is reflected at the guaranteed cash value of approximately \$12,500, net of an outstanding loan of \$2,500. 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 policy are reflected on the statement of activities.

At February 28, 2019, the policy has a cash value (net of outstanding loan of \$2,300) of approximately \$9,800.

During the year ended February 28, 2019, the Organization cashed out a life insurance policy of which proceeds totaled approximately \$533,000 and were used to pay off debt.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 29, 2020

6. NOTES PAYABLE

Notes payable as of February 29, 2020 and February 28, 2019 are as follows:

	2020	2019
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. Paid off during the year ended February 29, 2020.	\$ -	\$ 252,188
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; balance forgiven during the year ended February 29, 2020.	-	241,000
Total notes payable	<u>\$ -</u>	<u>\$ 493,188</u>

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 0.25% (3.5 % at February 29, 2020) and the line matures November 28, 2020. There were no outstanding advances at February 29, 2020 and February 28, 2019.

7. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at February 29, 2020 and February 28, 2019 are restricted as follows:

	2020	2019
Expiring restrictions:		
Programs	\$ 155,826	\$ 138,526
PSU Cluster	12,767	29,558
Time restricted	10,030	9,808
	<u>178,623</u>	<u>177,892</u>
Perpetual restrictions	13,921	13,921
Total net assets with donor restrictions	<u>\$ 192,544</u>	<u>\$ 191,813</u>

Net assets with perpetual donor restrictions include the museum collection.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 29, 2020

8. SPECIAL EVENTS

Special events included the following for the years ended February 29, 2020 and February 28, 2019:

	2020			2019		
	Gross	Direct	Net	Gross	Direct	Net
	<u>Revenue</u>	<u>Benefit</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
Nordic Nights	\$ 221,063	\$ 45,591	\$ 175,472	\$ 212,318	\$ 42,958	\$ 169,360
ScanFair	107,839	49,762	58,077	104,742	32,444	72,298
Special events, net	<u>\$328,902</u>	<u>\$ 95,353</u>	<u>\$233,549</u>	<u>\$ 317,060</u>	<u>\$ 75,402</u>	<u>\$ 241,658</u>

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 \$95,000 and \$44,000 at February 29, 2020 and February 28, 2019, respectively.

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.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 29, 2020

10. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at February 29, 2020 and February 28, 2019 are as follows:

	<u>Fair Value</u>	<u>Level 2</u>
2020		
Cash value of life insurance policy	\$ 10,030	\$ 10,030
2019		
Cash value of life insurance policy	9,804	9,804

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.

11. RELATED PARTY DISCLOSURE

The Organization received debt forgiveness in the amount of \$241,000 as a contribution from a board Member. During the year ended February 28, 2019, the board member made loans of \$66,000 and forgave \$250,000 as a contribution during the year. See Note 6.

During 2020, the Organization purchased services totaling approximately \$29,500 from a company owned by an officer of the Board. The Organization, at times, may receive donated services from board members (See Note 1, Donated Assets and Services).

12. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through September 14, 2020, the date the financial statements were available to be issued.

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic due to government requirements to close the cultural center and restrictions on gatherings. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. The Organization received a loan under the Payroll Protection Program to help pay for payroll and related costs during the period of shut-down. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

See independent accountant's review report.