

**Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks**

Accountants' Report and Consolidated Financial Statements
August 31, 2010 and 2009

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
August 31, 2010 and 2009

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Independent Accountants' Report on Consolidated Financial Statements and Supplementary Information

To the Board of Directors
Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheets of Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks (Foundation) as of August 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks as of August 31, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. We previously expressed an unqualified opinion on the 2008 financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

BKD, LLP

December 7, 2010

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Financial Position
August 31, 2010 and 2009

Assets

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 544,181	\$ 1,072,313
Federal grant reimbursements receivable	45,228	20,619
Contributions receivable, net of allowance for loss, 2010 - \$4,852 and 2009 - \$8,730	2,081,360	33,357
Prepaid expenses and other receivables	50,440	283,704
Real estate held for renovation, restoration and resale	3,602,953	3,808,204
Notes receivable, net of allowance for loss, 2010 - \$50,000 and 2009 - \$100,000	743,450	798,609
Investments	36,949,493	35,922,617
Property and equipment	12,635,674	7,982,818
Beneficial interest in assets held by CICF	<u>225,321</u>	<u>216,717</u>
Total assets	<u>\$ 56,878,100</u>	<u>\$ 50,138,958</u>

Liabilities

Accounts payable and accrued expenses	\$ 2,337,477	\$ 513,939
Notes payable	152,500	830,949
Annuities payable	93,830	132,153
Deferred revenue life estates	494,093	506,397
Total liabilities	<u>3,077,900</u>	<u>1,983,438</u>

Net Assets

Unrestricted	14,637,009	15,144,242
Temporarily restricted	27,925,073	21,773,160
Permanently restricted	<u>11,238,118</u>	<u>11,238,118</u>
Total net assets	<u>53,800,200</u>	<u>48,155,520</u>
Total liabilities and net assets	<u>\$ 56,878,100</u>	<u>\$ 50,138,958</u>

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Activities
Years Ended August 31, 2010 and 2009

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Contributions	\$ 926,064	\$ 5,867,809	\$ -	\$ 6,793,873
Federal grants	98,643	-	-	98,643
Other grants	65,411	-	-	65,411
Membership dues	140,141	-	-	140,141
Tour income	196,770	-	-	196,770
Consulting, ticket sales and other	570,607	-	-	570,607
Rents	126,336	-	-	126,336
Investment return designated for current operations	2,205,555	121,861	-	2,327,416
Net loss on sale and write-down of real estate	(256,492)	-	-	(256,492)
	<u>4,073,035</u>	<u>5,989,670</u>	<u>-</u>	<u>10,062,705</u>
Net assets released from restrictions	342,297	(342,297)	-	-
Total revenue, gains and other support	<u>4,415,332</u>	<u>5,647,373</u>	<u>-</u>	<u>10,062,705</u>
Expenses				
Program services				
Preservation services	2,677,305	-	-	2,677,305
Marketing and membership services	599,898	-	-	599,898
Historic structure surveys	124,837	-	-	124,837
Property management and museums	653,863	-	-	653,863
Total program services	<u>4,055,903</u>	<u>-</u>	<u>-</u>	<u>4,055,903</u>
Management and general	600,871	-	-	600,871
Fund raising	399,467	-	-	399,467
Total expenses	<u>5,056,241</u>	<u>-</u>	<u>-</u>	<u>5,056,241</u>
Change in Net Assets From Operations	(640,909)	5,647,373	-	5,006,464
Nonoperating Revenue				
Net gain from insurance recoveries	-	-	-	-
Change in beneficial interest in assets held by CICF	8,604	-	-	8,604
Investment return in excess of (less than) amounts designated for current operations	125,072	504,540	-	629,612
	<u>125,072</u>	<u>504,540</u>	<u>-</u>	<u>629,612</u>
Change in Net Assets	(507,233)	6,151,913	-	5,644,680
Net Assets, Beginning of Year	<u>15,144,242</u>	<u>21,773,160</u>	<u>11,238,118</u>	<u>48,155,520</u>
Net Assets, End of Year	<u>\$ 14,637,009</u>	<u>\$ 27,925,073</u>	<u>\$ 11,238,118</u>	<u>\$ 53,800,200</u>

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 955,863	\$ 128,250	\$ -	\$ 1,084,113
105,688	-	-	105,688
37,209	-	-	37,209
155,245	-	-	155,245
222,611	-	-	222,611
498,710	-	-	498,710
194,477	-	-	194,477
498,062	2,001,875	-	2,499,937
<u>(857,223)</u>	<u>-</u>	<u>-</u>	<u>(857,223)</u>
1,810,642	2,130,125	-	3,940,767
2,099,076	(2,099,076)	-	-
<u>3,909,718</u>	<u>31,049</u>	<u>-</u>	<u>3,940,767</u>
2,606,855	-	-	2,606,855
513,095	-	-	513,095
134,323	-	-	134,323
854,305	-	-	854,305
<u>4,108,578</u>	<u>-</u>	<u>-</u>	<u>4,108,578</u>
587,191	-	-	587,191
287,237	-	-	287,237
<u>4,983,006</u>	<u>-</u>	<u>-</u>	<u>4,983,006</u>
(1,073,288)	31,049	-	(1,042,239)
81,047	-	-	81,047
(114,868)	-	-	(114,868)
<u>(1,821,936)</u>	<u>(5,206,696)</u>	<u>-</u>	<u>(7,028,632)</u>
(2,929,045)	(5,175,647)	-	(8,104,692)
<u>18,073,287</u>	<u>26,948,807</u>	<u>11,238,118</u>	<u>56,260,212</u>
<u>\$ 15,144,242</u>	<u>\$ 21,773,160</u>	<u>\$ 11,238,118</u>	<u>\$ 48,155,520</u>

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Cash Flows
Years Ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Activities		
Change in net assets	\$ 5,644,680	\$ (8,104,692)
Items not requiring (providing) cash		
Depreciation	160,950	213,123
Realized and unrealized (gains) losses on investments	(2,114,688)	5,791,867
Loss on disposal of property and equipment	532,287	4,905
Writedowns on real estate held for renovation, restoration and resale	349,551	787,296
Provision for uncollectible notes receivable	(50,000)	100,000
Change in beneficial interest in assets held by CICF	(8,604)	114,868
Forgiveness of debt	(487,038)	-
Contributions received restricted for acquisition of long-lived assets	(3,748,537)	-
Changes in		
Contributions and grants receivable	(2,072,612)	73,181
Prepaid expenses and other assets	233,264	(48,654)
Real estate held for renovation, restoration and resale	21,217	(460,776)
Accounts and annuities payable and other liabilities	(211,570)	151,789
Net cash used in operating activities	<u>(1,751,100)</u>	<u>(1,377,093)</u>
Investing Activities		
Purchase of investments	(7,550,000)	(11,877,454)
Sales and maturities of investments	8,637,812	12,958,202
Principal payments received on notes receivable	226,659	354,982
Increase in notes receivable	(121,500)	(96,000)
Purchase of property and equipment	(3,941,644)	(300,543)
Proceeds from sale of property and equipment	487,553	-
Net cash provided by (used in) investing activities	<u>(2,261,120)</u>	<u>1,039,187</u>
Financing Activities		
Principal payment on notes payable	(264,449)	(283,149)
Proceeds from contributions restricted for acquisition of long-lived assets	3,748,537	-
Net cash provided by (used in) financing activities	<u>3,484,088</u>	<u>(283,149)</u>
Net Decrease in Cash and Cash Equivalents	(528,132)	(621,055)
Cash and Cash Equivalents, Beginning of Year	<u>1,072,313</u>	<u>1,693,368</u>
Cash and Cash Equivalents, End of Year	<u>\$ 544,181</u>	<u>\$ 1,072,313</u>
Supplemental Cash Flows Information		
Property and equipment in accounts payable	\$ 2,057,519	\$ -

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

The Historic Landmarks Foundation of Indiana, Inc. (Foundation) was incorporated as a nonprofit organization and commenced operations in September 1960 under the laws of the State of Indiana. The Foundation's purpose is to preserve architecturally and historically significant buildings, sites and districts in Indiana. In addition to its preservation activities, the Foundation manages and maintains its museum facilities, and conducts historic structure surveys. The Foundation has regional offices in Cambridge City, Jeffersonville, Terre Haute, South Bend and Indianapolis, with field offices in Aurora, Evansville, Hobart and Wabash. The headquarters are located in Indianapolis. The Foundation's revenue and other support are derived principally from contributions and investment returns.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation, its wholly owned, for-profit subsidiary, HLF Housing, Inc. (Housing); a limited partnership, Christian Place, L.P.; and the not-for-profit subsidiaries, HLF West Baden, Inc.; HLF High Street, Inc.; and the John E. Christian Family Memorial Trust.

Housing held a 1% interest as general partner in Christian Place, L.P. Christian Place, L.P. was a limited partnership that owned and managed Christian Place, a group of four buildings developed as a low income housing project. During the fiscal year, Christian Place was sold and Christian Place, L.P. was then liquidated. All material intercompany accounts and transactions have been eliminated in consolidation.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents. At August 31, 2010 and 2009, cash equivalents consisted of money market accounts.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000.

The balance in excess of the insured amount was approximately \$100,000 at August 31, 2010. Approximately \$26,000 of cash equivalents were insured under the Securities Investor Protection Corporation (SIPC).

Real Estate Held for Renovation, Restoration and Resale

Real estate held for renovation, restoration and resale are recorded at the lower of cost (or fair value at the date of gift) or fair value.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the consolidated statements of activities.

The Foundation has significant investments in mutual and hedge funds and is therefore subject to various risk such as interest rate, market and credit risks. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation.

The market values used for hedge funds may not have quoted market prices available, but values are provided by management of the funds. These estimated values are subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed.

Allowance for Losses on Notes Receivables

Allowances are maintained to absorb losses based on management's continuing review and evaluation of the receivables and its judgment as to the impact of economic conditions on the receivables. The evaluation by management includes consideration of the current condition and amount of receivables outstanding, and the probability of collecting all amounts due. Impaired receivables are measured by the present value of expected future cash flows, or the fair value of the collateral of the receivable, if collateral dependent.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Property and Equipment

Property not held for resale and business property and equipment are recorded at cost or at fair value at the date of gift. Major restorations are capitalized while expenditures in the nature of normal repairs and maintenance are charged to expense as incurred. Depreciation is not provided on collection items of historical treasures and works of art which are reported as property held permanently for use and demonstration. Depreciation of business property and equipment is computed using the straight-line method over estimated useful lives as follows:

	<u>Years</u>
Land improvements	20
Buildings	30 to 80
Furniture and office equipment	7 to 10
Computer hardware and software	5

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation is not considered to be a private foundation. The Foundation files tax returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2007.

Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily or permanently restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Government Grants

The Foundation receives federal grants primarily from the United States Department of the Interior through the Division of Historic Preservation and Archaeology of the Indiana Department of Natural Resources. The grants fund various projects of the Foundation, primarily the county surveys of historic structures and publication of related survey results. Support funded by grants is recognized as the Foundation performs the contracted services under grant agreements. Grant revenue is recognized as eligible expenditures are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair value of certain substantial in-kind donations as an asset or expense in its financial statements, and similarly increase contributions by a like amount. In-kind contributions of \$91,834 and \$45,470 were recorded for the years ended August 31, 2010 and 2009.

Insurance Recoveries

In March 2009, a fire at a nearby building caused significant damage to the Foundation's primary operating location. Included in the statement of activities for the year ended August 31, 2009 are insurance proceeds of \$978,127, along with expenses and losses totaling \$897,080. These amounts include those expenses paid directly by the insurance provider. A net gain of \$81,047 is shown in the statement of activities for the year end August 31, 2009, which primarily represents amounts paid by insurance for furniture and equipment destroyed by the fire.

Expense Allocation

Expenses have been classified as program services, management and general, membership development and fund raising based on the actual direct expenditures and cost allocations based upon estimates of time spent by Foundation personnel.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 2: Contributions Receivable

	Temporarily Restricted	
	2010	2009
Due within one year	\$ 2,086,212	\$ 42,087
Allowance for uncollectible contributions	(4,852)	(8,730)
	\$ 2,081,360	\$ 33,357

Note 3: Real Estate Held for Renovation, Restoration and Resale

The Foundation frequently obtains ownership of historic properties. These are either endangered properties or properties which have been donated to the Foundation. These properties are resold with protective covenants attached to the deed. Below is the activity for these assets:

	2010			
	Beginning Balance	Additions	Disposals/ Writedown	Ending Balance
General Fund	\$ 890,482	\$ 165,516	\$ (65,516)	\$ 990,482
Fund for Landmark Indianapolis Properties	461,360	-	(71,360)	390,000
Fund for Landmark Indianapolis Properties 2	516,438	230,680	(276,829)	470,289
Northern Indiana Preservation Fund	490,000	-	-	490,000
HLFI West Baden, Inc.	1,065,924	-	(167,742)	898,182
HLFI High Street, Inc.	384,000	-	(20,000)	364,000
	\$ 3,808,204	\$ 396,196	\$ (601,447)	\$ 3,602,953

	2009			
	Beginning Balance	Additions	Disposals/ Writedown	Ending Balance
General Fund	\$ 908,243	\$ 90,504	\$ (108,265)	\$ 890,482
Fund for Landmark Indianapolis Properties	682,635	223,861	(445,136)	461,360
Fund for Landmark Indianapolis Properties 2	580,222	378,101	(441,885)	516,438
Northern Indiana Preservation Fund	490,000	-	-	490,000
HLFI West Baden, Inc.	1,065,924	-	-	1,065,924
HLFI High Street, Inc.	407,700	-	(23,700)	384,000
	\$ 4,134,724	\$ 692,466	\$ (1,018,986)	\$ 3,808,204

Based on appraisals and offering prices, the Foundation determined that the estimated fair value was less than the carrying value of certain real estate. Therefore, the Foundation reduced the carrying values of that real estate. The write down reflected in the consolidated statements of activities was approximately \$349,551 in 2010 and \$787,296 in 2009. The amount the Foundation will ultimately realize on real estate held, could differ materially from the estimated value in the near term, based on actual sales or changes in external factors.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 4: Notes Receivable

Notes receivable from the sale of real estate generally bear interest at rates less than the current market rate of interest prevailing at the time the related loans are made. These notes receivable are collateralized by mortgages on the related property. Interest is recognized as earned.

Notes receivable from local preservation organizations consist of loans made to such organizations which generally bear interest at rates less than the current market rate of interest prevailing at the time the loans were made. These notes are scheduled to mature within the next three years. Substantially all of the receivables are collateralized by mortgages on the related property. Interest on their receivables is accrued monthly at the rate established in the loan agreement.

The Foundation has provided an allowance for loss on receivable balances at August 31, 2010 and 2009 of \$50,000 and \$100,000, respectively, due to economic conditions affecting the Foundation's collateral. The average balance of impaired receivables was \$450,490 and \$469,967 during 2010 and 2009, and the outstanding balances at August 31, 2010 and 2009 were \$451,512 and \$449,467, respectively.

Note 5: Investments

The Foundation's investments are as follows:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Equity securities	\$ 699,555	\$ 631,118	\$ 1,006,322	\$ 932,774
Equity mutual funds				
Domestic	12,009,787	6,100,740	13,220,680	6,091,559
International	6,113,875	5,661,106	6,742,789	5,661,118
REIT	836,668	930,396	622,255	917,302
Fixed income mutual funds				
Domestic	8,022,991	7,291,051	7,542,343	6,982,052
Corporate hedge funds				
Long-short hedge fund	1,722,914	1,700,000	-	-
Multi-strategy hedge fund	5,513,644	3,800,000	5,289,399	3,800,000
Commodity mutual funds	1,988,424	2,329,421	1,460,209	1,921,872
Limited partnership	41,635	41,635	38,620	87,795
	<u>\$ 36,949,493</u>	<u>\$ 28,485,467</u>	<u>\$ 35,922,617</u>	<u>\$ 26,394,472</u>

The Foundation invests in certain mutual funds that allow for the use of derivatives within guidelines established in the Fund's investment policies.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

The following schedule summarizes the investment return and its classification in the consolidated statements of activities:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest (net of expenses of \$33,060)	\$ 657,659	\$ 184,681	\$ -	\$ 842,340
Net realized and unrealized gains	1,672,968	441,720	-	2,114,688
Total return on investments	<u>2,330,627</u>	<u>626,401</u>	-	<u>2,957,028</u>
Investment return designated for operations	<u>2,205,555</u>	<u>121,861</u>	-	<u>2,327,416</u>
Investment return in excess of amounts designated for operations	<u>\$ 125,072</u>	<u>\$ 504,540</u>	<u>\$ -</u>	<u>\$ 629,612</u>
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest (net of expenses of \$37,112)	\$ 268,533	\$ 994,639	\$ -	\$ 1,263,172
Net realized and unrealized losses	(1,592,407)	(4,199,460)	-	(5,791,867)
Total return on investments	<u>(1,323,874)</u>	<u>(3,204,821)</u>	-	<u>(4,528,695)</u>
Investment return designated for operations	<u>498,062</u>	<u>2,001,875</u>	-	<u>2,499,937</u>
Investment return less than amounts designated for operations	<u>\$ (1,821,936)</u>	<u>\$ (5,206,696)</u>	<u>\$ -</u>	<u>\$ (7,028,632)</u>

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at August 31 consist of the following:

	2010			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge fund (A)	\$ 1,722,914	\$ -	Annually	100 days
Multi-strategy hedge fund (B)	5,513,645	-	Quarterly	60 days
Limited partnership (C)	41,635	-	Not redeemable	N/A
Total alternative investments	\$ 7,278,194	\$ -		

	2009			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge fund (B)	\$ 5,289,399	\$ -	Quarterly	60 days
Limited partnership (C)	38,620	-	Not redeemable	N/A
Total alternative investments	\$ 5,328,019	\$ -		

- (A) This category includes an investment in a hedge fund that takes both long and short positions, primarily in U.S. common stocks. Management of the fund has the ability to shift investments among differing investment strategies. Investments representing approximately 100% of the value of investments in this category cannot be redeemed because the investments do not allow for redemption in the first 12 months after acquisition. The remaining restriction period for these investments is 3 months at August 31, 2010.
- (B) This category includes an investment in a hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The fund's composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments.
- (C) This investment represents a small ownership interest in a limited partnership that was gifted to the Foundation. The fair value of the investment is estimated based on the ownership interest, which is valued on a tax-basis which approximates fair value.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 6: Property and Equipment

The Foundation's property and equipment are as follows:

	2010	2009
Land improvements	\$ 480,806	\$ 441,682
Buildings	3,453,864	6,186,248
Furniture	488,476	458,520
Office equipment	352,225	477,463
	4,775,371	7,563,913
Accumulated depreciation	(1,624,318)	(3,166,468)
	3,151,053	4,397,445
Land	600,926	324,066
Renovations/construction in process	5,598,304	-
Property not held for resale	3,208,802	3,208,802
Inventory on hand	76,589	52,505
	\$ 12,635,674	\$ 7,982,818

Note 7: Beneficial Interest in Assets Held by CICF

During 1999, the Foundation entered into an agreement with the Central Indiana Community Foundation (CICF) to establish a fund to support local non-profits working to preserve and protect historic properties and neighborhoods in Marion County, Indiana. During 2006, the agreement with CICF was revised and under the terms of the current agreement, the Foundation will receive annual distributions of 5% of the assets of the fund to support local non-profits working to preserve and protect historic properties and neighborhoods in Marion County, Indiana. An additional annual distribution of 1% of the assets of the fund can be used by the Foundation for overhead expenses. The Foundation has granted variance power to CICF. Because the Foundation is specified as the beneficiary, the Foundation has recorded its beneficial interest in the assets of CICF.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 8: Notes Payable

Notes payable consists of the following:

	2010	2009
Promissory note - 5.75%, payable in monthly payments of \$1,770 including interest. Matured July 15, 2010	\$ -	\$ 18,806
Mortgage payable - Two promissory notes. 0.0%, due upon sale of property to a third-party purchaser. No maturity date. Secured by the properties at 2351 and 2354 N. College Avenue in Indianapolis	72,500	72,500
Mortgage payable - 0.00%, payable upon sale of property to a third-party purchaser. No maturity date. Secured by the property at 214 Division Street in Elkhart	80,000	80,000
Mortgage payable - 6.75%, payable in monthly payments of \$3,232 including interest. This loan was paid in full during 2010	-	245,643
Mortgage payable - Home loan at 6.3% interest on repayment portion. Forgiveness portion of \$150,000. Principal and accrued interest on this loan were forgiven during 2010 upon the sale of Christian Place	-	224,000
Mortgage payable - Community Development loan at 0.0% interest. This loan was forgiven during 2010 upon the sale of Christian Place	-	190,000
	\$ 152,500	\$ 830,949

As noted above, the Home loan and Community Development loan were forgiven during the year by the City of Indianapolis, through the Department of Metropolitan Development, upon the sale of Christian Place. The total amount of principal and accrued interest forgiven during the year was \$487,038, which is included in net loss on sale of real estate in the statement of activities.

Note 9: Annuities Payable

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at August 31, 2010 and 2009 of \$93,830 and \$132,153, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 5% to 11%.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 10: Deferred Life Estates

The Foundation has been the recipient of several life estates. The properties received from the donor are recorded at fair value. The Foundation has recorded a liability at August 31, 2010 and 2009 of \$494,093 and \$506,397, which represents the amount of the discount for future interest. The liability has been determined using a discount rate of 5.4%.

Note 11: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2010	2009
Preservation Service Program Activities		
Designated grants	\$ 121,610	\$ 120,068
Awards	224,365	211,239
Indiana Landmarks Center	5,693,792	-
Calumet Regional Office	133,524	148,439
Maintenance of Kemper House	498,050	500,000
Maintenance of Morris Butler House	470,823	500,000
Veraestau Historic Site	1,845,242	1,806,943
For periods after August 31, 2010 and 2009	530,772	539,754
Unappropriated endowment earnings	18,406,895	17,946,717
	\$ 27,925,073	\$ 21,773,160

Note 12: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	2010	2009
Property to be used as historic house museum and preservation center	\$ 1,867,000	\$ 1,867,000
FLIP Program Director	500,000	500,000
Investment in perpetuity, the income of which is expendable to support any activity of the organization	8,871,118	8,871,118
	\$ 11,238,118	\$ 11,238,118

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 13: Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2010	2009
Purpose restriction accomplished		
Preservation services program expenses	\$ 333,316	\$ 160,995
Time restriction accomplished	8,981	64,516
Appropriation of endowment earnings	-	1,873,565
Total net assets released from restriction	\$ 342,297	\$ 2,099,076

Note 14: Endowment

The Foundation's endowment consists of twenty individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Indiana's Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as permanently restricted net assets (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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

The composition of net assets by type of endowment fund at August 31, 2010 and 2009, was:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (48,772)	\$ 18,406,895	\$ 11,238,118	\$ 29,596,241
Board-designated endowment funds	3,316,959	-	-	3,316,959
Total endowment funds	\$ 3,268,187	\$ 18,406,895	\$ 11,238,118	\$ 32,913,200

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (84,192)	\$ 17,946,717	\$ 11,238,118	\$ 29,100,643
Board-designated endowment funds	3,732,694	-	-	3,732,694
Total endowment funds	\$ 3,648,502	\$ 17,946,717	\$ 11,238,118	\$ 32,833,337

Changes in endowment net assets for the years ended August 31, 2010 and 2009, were:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,648,502	\$ 17,946,717	\$ 11,238,118	\$ 32,833,337
Investment return:				
Investment income	599,638	135,674	-	735,312
Net realized and unrealized gains	1,402,035	324,504	-	1,726,539
Total investment return	2,001,673	460,178	-	2,461,851
Contributions	60,330	-	-	60,330
Appropriation of endowment assets for expenditure	(2,529,198)	-	-	(2,529,198)
Other changes	86,880	-	-	86,880
Endowment net assets, end of year	\$ 3,268,187	\$ 18,406,895	\$ 11,238,118	\$ 32,913,200

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,985,550	\$ 22,802,580	\$ 11,238,118	\$ 39,026,248
Investment return:				
Investment income	126,191	925,542	-	1,051,733
Net realized and unrealized losses	(380,018)	(3,907,840)	-	(4,287,858)
Total investment return	(253,827)	(2,982,298)	-	(3,236,125)
Contributions	265,853	-	-	265,853
Appropriation of endowment assets for expenditure	(1,170,428)	(1,873,565)	-	(3,043,993)
Other changes/removal of board designation of endowment funds	(178,646)	-	-	(178,646)
Endowment net assets, end of year	\$ 3,648,502	\$ 17,946,717	\$ 11,238,118	\$ 32,833,337

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at August 31, 2010 and 2009, consisted of:

	2010	2009
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 11,238,118	\$ 11,238,118
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time restriction under SPMIFA without purpose restrictions	\$ 18,406,895	\$ 17,946,717

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$48,772 and \$84,192 at August 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Notes to Consolidated Financial Statements
August 31, 2010 and 2009

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed 6% plus the rate of inflation, while assuming a below average level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 9% annually over time. Actual returns in any given year may vary from this amount.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.5% in 2010 and 2009 of its endowment fund's average fair value over the prior twelve quarters as of June 30 preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 15: Employee Benefits

The Foundation provides a 403(b) retirement annuity program for employees who meet certain length of service requirements. Eligible employees include those with more than two years of service. Participating employees contribute 1% of wages to obtain the Foundation's matching contribution of 4% of wages. After seven years of service, the Foundation will increase its contribution to 8% of wages if the employee contributes a minimum of 2% of wages. Contributions are invested in individual tax-deferred annuity contracts. The Foundation's contribution for 2010 and 2009 was \$96,845 and \$89,764.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Note 16: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Money Market Funds

Where quoted market prices are available in an active market, money market mutual funds are classified within Level 1 of the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity securities, fixed income mutual funds, equity mutual funds, commodity mutual funds and REIT mutual funds. For alternative investments that are redeemable at the net asset value (NAV) or its equivalent at August 31 or in the near term, fair value is determined using the NAV or its equivalent provided by the investment manager and are classified within Level 2 of the valuation hierarchy. Level 2 securities consist of corporate hedge funds. Level 3 securities consist of a limited partnership. The fair value of the limited partnership is estimated based on the ownership percentage of that partnership, which is valued on a tax-basis which approximates fair value.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Beneficial Interest in Assets Held by CICF

Fair value is estimated based on the future distributions expected to be received from the trust assets and is valued at fair value of the underlying assets. Trust assets consist of an investment portfolio with a variety of securities, ranging from marketable securities to alternative investments.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2010 and 2009:

	Fair Value	2010 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities	\$ 699,555	\$ 699,555	\$ -	\$ -
Equity mutual funds				
Domestic	12,009,787	12,009,787	-	-
International	6,113,875	6,113,875	-	-
REIT	836,668	836,668	-	-
Fixed income mutual funds				
Domestic	8,022,991	8,022,991	-	-
Corporate hedge funds				
Long-short hedge fund	1,722,914	-	1,722,914	-
Multi-strategy hedge fund	5,513,644	-	5,513,644	-
Commodity mutual funds	1,988,424	1,988,424	-	-
Limited partnership	41,635	-	-	41,635
	<u>36,949,493</u>	<u>29,671,300</u>	<u>7,236,558</u>	<u>41,635</u>
Cash and cash equivalents - money market funds	126,356	126,356	-	-
Beneficial interest in assets held by CICF	225,321	-	-	225,321
	<u>\$ 37,301,170</u>	<u>\$ 29,797,656</u>	<u>\$ 7,236,558</u>	<u>\$ 266,956</u>

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

	2009			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)
Investments				
Equity securities	\$ 1,006,322	\$ 1,006,322	\$ -	\$ -
Equity mutual funds				
Domestic	13,220,680	13,220,680	-	-
International	6,742,789	6,742,789	-	-
REIT	622,255	622,255	-	-
Fixed income mutual funds				
Domestic	7,542,343	7,542,343	-	-
Corporate hedge funds				
Multi-strategy hedge fund	5,289,399	-	5,289,399	-
Commodity mutual funds	1,460,209	1,460,209	-	-
Limited partnership	38,620	-	-	38,620
	<u>35,922,617</u>	<u>30,594,598</u>	<u>5,289,399</u>	<u>38,620</u>
Cash and cash equivalents - money market funds	687,288	687,288	-	-
Beneficial interest in assets held by CICF	216,717	-	-	216,717
	<u>\$ 36,826,622</u>	<u>\$ 31,281,886</u>	<u>\$ 5,289,399</u>	<u>\$ 255,337</u>

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Limited Partnership	Beneficial Interest in Assets Held by CICF
Balance, September 1, 2008	\$ 99,803	\$ 331,585
Change in beneficial interest in assets held by CICF	-	(114,868)
Total realized and unrealized losses	(49,602)	-
Distributions received	(11,581)	-
Balance, August 31, 2009	38,620	216,717
Change in beneficial interest in assets held by CICF	-	8,604
Total realized and unrealized gains	3,015	-
Balance, August 31, 2010	<u>\$ 41,635</u>	<u>\$ 225,321</u>

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Notes to Consolidated Financial Statements August 31, 2010 and 2009

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Notes Receivable

Fair value for impaired notes receivable that are collateral dependent are estimated by the fair value of the collateral based on appraisals on the underlying properties and are classified within Level 3 of the valuation hierarchy.

Real Estate Held for Renovation, Restoration and Resale

Fair value for real estate held is estimated based on appraisals of the properties and/or review of recent properties for sale or sold in recent months. Properties are written down to fair value if it is believed to be below the carrying cost basis. Given the unusual and historic nature of many of these properties, they are classified within Level 3 of the valuation hierarchy.

The following tables present the fair value measurements of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31:

	2010			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices		
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Real estate held for sale	\$ 3,602,953	\$ -	\$ -	\$ 3,602,953
Notes receivable	743,450	-	-	743,450
	<u>\$ 4,346,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,346,403</u>

	2009			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices		
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes receivable	\$ 135,000	\$ -	\$ -	\$ 135,000

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Notes to Consolidated Financial Statements
August 31, 2010 and 2009

Note 17: Commitments Concentrations and Guarantees

The Foundation has guaranteed a financing agreement of \$32,000 at August 31, 2010 for Main Street Greencastle, Inc. In October 2010, the Foundation entered into an additional guaranty in the amount of \$50,000 for Chapin Park, Inc.

Additionally, the Foundation makes commitments to extend credit under its Statewide Revolving Loan and Fund for Landmark Indianapolis Properties programs. There are no commitments outstanding under these programs or the General Fund at August 31, 2010.

During the year ended August 31, 2010, approximately 85% of the Foundation's total contributions were received from one donor for renovations to the Indiana Landmarks Center.

At August 31, 2010, the Foundation has entered into construction contracts for unspecified amounts to complete the renovations to the Indiana Landmarks Center.

Note 18: Current Economic Conditions

The current protracted economic environment continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions and memberships and constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Foundation.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue or membership revenue could have an adverse impact on the Foundation's future operating results.

Note 19: Subsequent Events

In September 2010, the Foundation entered into a line of credit with a maximum amount of \$3 million, for use on continued renovations on the Indiana Landmarks Center. The line matures in September 2013 with an interest rate of prime less 1.1%. The line is collateralized by maintaining a minimum of \$4.5 million of cash and investments.

Subsequent events have been evaluated through December 7, 2010, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Analysis of Functional Expenses
Year Ended August 31, 2010
(With Comparative Totals for 2009)

	2010							Total Expenses	2009 Total Expenses
	Preservation Services	Marketing and Membership Services	Program Services		Total Program	Management and General	Fund Raising		
			Historic Structure Surveys	Property Management and Museums					
Salaries and wages	\$ 1,079,622	\$ 293,474	\$ 7,216	\$ 61,184	\$ 1,441,496	\$ 279,938	\$ 124,767	\$ 1,846,201	\$ 1,947,712
Employee benefits	336,346	85,838	1,770	13,636	437,590	78,803	39,989	556,382	550,880
Total salaries, wages and related expenses	1,415,968	379,312	8,986	74,820	1,879,086	358,741	164,756	2,402,583	2,498,592
Professional services and fees	190,160	89,970	115,616	33	395,779	70,760	128,669	595,208	449,844
Promotion and publicity	174,601	70,181	4,047	3,825	252,654	1,509	62,503	316,666	346,045
Travel, meetings and training	146,592	15,142	-	3,989	165,723	9,864	12,793	188,380	185,849
Utilities	153,660	217	-	83,912	237,789	19,156	-	256,945	166,135
Contributions, grants and awards	153,185	-	-	955	154,140	-	83	154,223	112,584
Maintenance	80,758	8,993	-	205,207	294,958	173	6,659	301,790	189,229
Supplies and expendables	18,048	4,058	-	2,073	24,179	17,197	1,115	42,491	43,384
Postage	12,248	31,995	66	774	45,083	3,343	19,493	67,919	62,711
Rental	54,880	-	-	-	54,880	5,015	-	59,895	39,594
Depreciation	-	-	-	110,707	110,707	50,243	-	160,950	182,614
Dues and subscriptions	9,279	30	-	1,895	11,204	12,894	530	24,628	22,148
Insurance	131,913	-	-	56,103	188,016	51,736	-	239,752	214,443
Christian Place rental activity	-	-	-	107,645	107,645	-	-	107,645	230,513
Miscellaneous	136,013	-	(3,878)	1,925	134,060	240	2,866	137,166	239,321
Totals, year ended August 31, 2010	\$ 2,677,305	\$ 599,898	\$ 124,837	\$ 653,863	\$ 4,055,903	\$ 600,871	\$ 399,467	\$ 5,056,241	
Totals, year ended August 31, 2009	\$ 2,606,855	\$ 513,095	\$ 134,323	\$ 854,305	\$ 4,108,578	\$ 587,191	\$ 287,237		\$ 4,983,006

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Analysis of Functional Expenses
Year Ended August 31, 2009
(With Comparative Totals for 2008)

	2009							2008 Total Expenses	
	Preservation Services	Marketing and Membership Services	Program Services Historic Structure Surveys	Property Management and Museums	Total Program	Management and General	Fund Raising		Total Expenses
Salaries and wages	\$ 1,014,992	\$ 292,583	\$ 59,135	\$ 180,600	\$ 1,547,310	\$ 273,160	\$ 127,242	\$ 1,947,712	\$ 2,036,920
Employee benefits	294,349	84,563	9,366	43,007	431,285	72,369	47,226	550,880	533,772
Total salaries, wages and related expenses	1,309,341	377,146	68,501	223,607	1,978,595	345,529	174,468	2,498,592	2,570,692
Professional services and fees	291,905	31,671	39,581	8,372	371,529	78,015	300	449,844	396,822
Promotion and publicity	192,677	68,460	15,490	7,755	284,382	759	60,904	346,045	374,717
Travel, meetings and training	125,580	5,756	2,231	26,580	160,147	7,507	18,195	185,849	224,590
Utilities	60,817	1,073	-	83,991	145,881	19,984	270	166,135	174,124
Contributions, grants and awards	110,716	26	-	1,591	112,333	-	251	112,584	160,748
Maintenance	99,481	4,200	-	76,337	180,018	3,323	5,888	189,229	369,264
Supplies and expendables	20,983	757	1,042	4,527	27,309	14,073	2,002	43,384	51,186
Postage	14,952	23,917	776	1,796	41,441	5,524	15,746	62,711	64,579
Rental	36,028	-	-	-	36,028	3,566	-	39,594	29,976
Depreciation	-	-	-	135,786	135,786	46,828	-	182,614	167,672
Dues and subscriptions	8,899	89	-	1,195	10,183	11,570	395	22,148	23,211
Insurance	112,262	-	-	51,911	164,173	50,270	-	214,443	196,390
Christian Place rental activity	-	-	-	230,513	230,513	-	-	230,513	239,277
Miscellaneous	223,214	-	6,702	344	230,260	243	8,818	239,321	81,080
Totals, year ended August 31, 2009	<u>\$ 2,606,855</u>	<u>\$ 513,095</u>	<u>\$ 134,323</u>	<u>\$ 854,305</u>	<u>\$ 4,108,578</u>	<u>\$ 587,191</u>	<u>\$ 287,237</u>	<u>\$ 4,983,006</u>	
Totals, year ended August 31, 2008									<u>\$ 5,124,328</u>

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Schedule of Net Asset Detail
August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets		
General Fund	\$ 8,311,329	\$ 8,887,719
Blake Ross Family Fund	139,118	139,118
Fund for Landmark Indianapolis Properties	273,787	353,392
Heritage Preservation Center Maintenance Fund	63,201	82,594
Kemper House Maintenance Fund	56,156	64,536
Morris-Butler House Capital Maintenance Fund	87,587	70,116
Northern Indiana Preservation Fund	490,000	490,000
Prentice Fund (Willey Allhands)	75,119	69,402
Preservation Grants Fund	79,339	128,977
Publications Fund	123,660	121,592
Easement Monitoring Fund	642,079	615,632
Statewide Revolving Loan Fund and FLIP 2	1,266,268	1,513,142
John E. Christian Family Memorial Trust, Inc.	2,014,883	1,752,359
HLFI West Baden, Inc.	1,014,483	855,663
Total unrestricted net assets	<u>14,637,009</u>	<u>15,144,242</u>
Temporarily Restricted Net Assets		
Calumet Regional Office	133,524	148,439
Grants for Historic Preservation Projects	121,610	120,068
Indiana Landmarks Center	5,693,792	-
Kemper House Maintenance Fund	498,050	500,000
Morris-Butler House Capital Maintenance Fund	470,823	500,000
Sandi Servaas Memorial Fund	224,365	211,239
Veraestau Historic Site	1,845,242	1,806,943
Unappropriated permanent endowment earnings	18,406,895	17,946,717
General Fund - time restricted contributions	530,772	539,754
Total temporarily restricted net assets	<u>27,925,073</u>	<u>21,773,160</u>
Permanently Restricted Net Assets		
Efroymsen Family Fund	500,000	500,000
Eli Lilly Endowment Fund	2,424,000	2,424,000
Historic Preservation Endowment Fund	6,447,118	6,447,118
Veraestau Historic Site	1,867,000	1,867,000
Total permanently restricted net assets	<u>11,238,118</u>	<u>11,238,118</u>
Total net assets	<u>\$ 53,800,200</u>	<u>\$ 48,155,520</u>

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Description of Funds August 31, 2010 and 2009

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying consolidated financial statements, funds that have similar characteristics have been combined into three net asset classes, unrestricted, temporarily restricted and permanently restricted. Accordingly, all financial transactions have been recorded and reported by net asset class.

General Fund

The Foundation's general fund was organized in 1960 to preserve, redevelop and maintain Indiana sites and structures of historic, architectural, educational and cultural significance. Income generated by the investment portion of the general fund and the endowment funds finances the Foundation's operations.

Blake-Ross Family Fund

In 1996, Frances Ross Chase Smith and Mary Ross McMillan donated their childhood home in Terre Haute to the Foundation with the understanding that the Foundation would benefit from the sale of the property. The proceeds from the sale created the fund, which is used to promote, support and further historic preservation in Vigo County, Indiana. The Foundation's preservation easement will protect the property in perpetuity.

Fund for Landmark Indianapolis Properties (FLIP)

FLIP indicates the revolving use of money to purchase and then resell vacant and endangered historic property and vacant lots in historic areas of Marion County. The protective covenant attached to a property's deed requires the new owner to restore the building or, in the case of vacant lots, build a compatible new structure, within a specified time.

Heritage Preservation Center Maintenance Fund

Contributions from members, visitors and other donors help to maintain the stunning Heritage Preservation Center opened by the Foundation in 1991. The Center combines a restored structure, "the 1879 Kuhn House," with a compatible modern addition; a three-story glass atrium links the old with the new.

John E. Christian Family Memorial Trust, Inc.

This trust was formed to protect and maintain the Frank Lloyd Wright designed home of John E. Christian, to increase public awareness of the Christian House, to educate the public about Frank Lloyd Wright and to make the Christian House available to the public. The trust was incorporated as a nonprofit corporation on September 1, 1992, and is controlled by the Foundation.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Description of Funds August 31, 2010 and 2009

Kemper House Maintenance Fund

When the Episcopal Diocese of Indianapolis donated the Kemper House, along with a monetary contribution, to the Foundation in 1977, the Board of Directors established the Kemper House Fund. Rescued, restored and named by Eli Lilly in honor of Indiana's first Episcopal bishop, the Kemper House features museum rooms and quarters for the Foundation's Central Regional Office.

Morris-Butler House Capital Maintenance Fund

Donors continue to enlarge this fund to finance the maintenance of the Foundation's elegantly restored Morris-Butler House, a museum of mid-Victorian decorative arts in Indianapolis' Old Northside Historic District.

Northern Indiana Preservation Fund

The Northern Indiana Preservation Fund has been established to focus specifically on historic preservation efforts in the northern portion of the State of Indiana. The contribution of a historic house in LaPorte, Indiana by Jane Mace and Maren Moore initiated this fund. The fund has been further enhanced through the contribution of a life estate by James Morrow.

Prentice (Willey Allhands) Fund

Initiated with the net proceeds from the sale of the Grisamore House in Jeffersonville, this fund is to provide for the long-term maintenance of the Willey Allhands House, which presently serves as our Southern Regional Office. This significant 1902 Free Classic style house was threatened with demolition before being relocated and restored by the Foundation in 2004.

Publications Fund

Contributions and income from tours and other fundraising events initially built this fund to finance the research and publication of *The Main Stem: The History and Architecture of North Meridian Street*. The fund was recently utilized to finance the publication of *99 Historic Homes of Indiana*. Historic Landmarks continues to maintain the fund, with income from book sales and contributions, to help cover the costs of other publications.

Statewide Revolving Loan Fund

To assist local preservation organizations in preserving properties of historic and architectural significance, the Foundation's Board of Directors established the Statewide Revolving Loan Fund. A committee of the Board reviews loan requests from local groups for the purchase of endangered buildings. This revolving fund is also used to purchase and then resell vacant and endangered historic property and vacant lots outside of Marion County. Protective covenants are attached to a property's deed.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Description of Funds August 31, 2010 and 2009

Willey Allhands Capital Maintenance Fund

Initiated with the net proceeds from the sale of the Grisamore House in Jeffersonville, this fund is to provide for the long-term maintenance of the Willey Allhands House, which presently serves as our Southern Regional Office. This significant 1902 Free Classic style house was threatened with demolition before being relocated and restored by the Foundation in 2004.

HLFI West Baden, Inc.

In 1996, the Foundation received a contribution to purchase a historic hotel in West Baden, Indiana. The Foundation then created a separately incorporated nonprofit corporation, HLFi West Baden, Inc., which is controlled by the Foundation, to hold the property. This subsidiary is involved in the efforts to preserve the West Baden Hotel and surrounding area.

HLFI High Street, Inc.

In 1998, Historic Landmarks embarked on an effort to save several endangered properties in the historic downtown area of Lawrenceburg, Indiana. HLFi High Street, Inc. is a not-for-profit subsidiary that currently owns five historic properties in downtown Lawrenceburg. These properties are being repaired and restored, and will be resold with protective covenants.

Easement Monitoring Fund

Contributors continue to enlarge this fund which finances the long-term costs of the Foundation's periodic review of preservation easement properties throughout Indiana and the enforcement of easement provisions.

Indiana Landmarks Center

In 2010, the Foundation acquired the former Central Avenue United Methodist Church, a prominent Indianapolis landmark. Through the generosity of a major donor, the church is being restored to its former glory and will serve as the new state headquarters for Indiana Landmarks. These funds have been temporarily reserved for that restoration effort.

Samara Development Education and Interpretation Fund

Contributions, support, development, educational and interpretive activities directed to the Frank Lloyd Wright designed home in West Lafayette, named Samara by the famed architect, relating its design and logo to the winged seeds born by certain trees and plants.

Sandi Servaas Memorial Fund

Ongoing contributions to the Sandi Servaas Memorial Fund support the Foundation's prestigious annual awards program recognizing outstanding efforts to marshal public support for historic preservation in Indiana. The Foundation established the fund and award in 1976 in memory of a staff member.

Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks

Description of Funds August 31, 2010 and 2009

Calumet Regional Office

The Foundation has established a field office in northwest Indiana, serving Lake and Porter counties. Funds to set up and support this field office are provided primarily through the generous contributions of a longtime supporter. These temporarily restricted funds are to provide for the operational needs of this field office.

Veraestau Historic Site

In 2004, the Foundation was the recipient of a generous donation of historic property in Aurora, Indiana, given by the Cornelius and Anna Cook O'Brien Foundation. The gift of this property, named Veraestau, was made with an accompanying endowment fund. This fund will enable the Foundation to maintain the site and to provide preservation services to Dearborn County and the surrounding region. The property itself is to be permanently maintained as a historic site, and has been included in the financial statements as a permanently restricted net asset.

Eli Lilly Endowment Fund

A gift from Eli Lilly in 1969 established this endowment fund. Annual income from the fund's principal supports the Foundation's operations.

Historic Preservation Endowment Fund

Late in 1989, a substantial bequest from an anonymous donor created this endowment fund. According to the terms of the gift, the Foundation uses annual income from the invested principal for the purchase, restoration and preservation of historic properties in Indiana.

Efroymsen Family Fund

In 2005, the Foundation received a generous contribution from the Efroymsen family for the purpose of creating an endowment for the Fund for Landmark Indianapolis Properties (FLIP) director position. Income from these funds will enable the Foundation to continue to support preservation efforts in Marion County through this long-serving program.