

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

Independent Auditor's Report and Consolidated Financial Statements  
August 31, 2016 and 2015

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**August 31, 2016 and 2015**

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Historic Landmarks Foundation of Indiana, Inc. d/b/a Indiana Landmarks, which comprise the consolidated statements of financial position as of August 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## *Opinion*

In our opinion, the 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 and its subsidiary as of August 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We previously expressed an unmodified opinion on the 2014 consolidated financial statements. The consolidated analysis of functional expenses and schedule of net assets details listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*BKD, LLP*

Indianapolis, Indiana  
November 11, 2016

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Statements of Financial Position**  
**August 31, 2016 and 2015**

**Assets**

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,400,923	\$ 611,955
Contributions receivable, net of allowance for loss, 2016 - \$20,500 and 2015 - \$53,000	288,874	1,265,223
Prepaid expenses and other receivables	194,447	144,588
Real estate held for renovation, restoration and resale	2,145,956	2,872,778
Notes receivable, net of allowance for loss, 2016 and 2015 - \$20,000	448,227	386,524
Investments	57,130,179	48,842,677
Property and equipment	21,178,572	20,663,074
Beneficial interest in assets held by CICF	<u>239,359</u>	<u>264,513</u>
Total assets	<u>\$ 83,026,537</u>	<u>\$ 75,051,332</u>

**Liabilities**

Accounts payable and accrued expenses	\$ 839,410	\$ 449,313
Lines of credit	950,000	950,000
Notes payable	463,781	910,720
Annuities payable	36,239	42,557
Deferred revenue - life estates	<u>191,399</u>	<u>197,113</u>
Total liabilities	<u>2,480,829</u>	<u>2,549,703</u>

**Net Assets**

Unrestricted	31,526,556	31,357,380
Temporarily restricted	29,177,103	28,802,200
Permanently restricted	<u>19,842,049</u>	<u>12,342,049</u>
Total net assets	<u>80,545,708</u>	<u>72,501,629</u>
Total liabilities and net assets	<u>\$ 83,026,537</u>	<u>\$ 75,051,332</u>

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Statements of Activities**  
**Years Ended August 31, 2016 and 2015**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue, Gains and Other Support</b>				
Contributions	\$ 1,293,858	\$ 1,316,069	\$ 7,500,000	\$ 10,109,927
Federal grants	3,420	-	-	3,420
Other grants	57,943	-	-	57,943
Membership dues	155,885	-	-	155,885
Tour income	217,963	-	-	217,963
Consulting, ticket sales and other	476,007	-	-	476,007
Rents	322,428	-	-	322,428
Investment return designated for current operations	2,191,093	116,908	-	2,308,001
Net loss on sale and write-down of real estate	(493,422)	-	-	(493,422)
	<u>4,225,175</u>	<u>1,432,977</u>	<u>7,500,000</u>	<u>13,158,152</u>
Net assets released from restrictions	1,999,185	(1,999,185)	-	-
Total revenue, gains and other support	<u>6,224,360</u>	<u>(566,208)</u>	<u>7,500,000</u>	<u>13,158,152</u>
<b>Expenses</b>				
Program services				
Preservation services	2,246,995	-	-	2,246,995
Marketing and membership services	577,386	-	-	577,386
Events, shops and tours	682,993	-	-	682,993
Property management and museums	1,213,621	-	-	1,213,621
Total program services	4,720,995	-	-	4,720,995
Management and general	862,169	-	-	862,169
Fund raising	335,654	-	-	335,654
Total expenses	<u>5,918,818</u>	<u>-</u>	<u>-</u>	<u>5,918,818</u>
<b>Change in Net Assets Before Other Changes</b>	305,542	(566,208)	7,500,000	7,239,334
<b>Other Changes</b>				
Change in beneficial interest in assets held by CICF	(25,154)	-	-	(25,154)
Investment return in excess of (less than) amounts designated for current operations	(111,212)	941,111	-	829,899
	<u>(136,366)</u>	<u>941,111</u>	<u>-</u>	<u>704,745</u>
<b>Change in Net Assets</b>	169,176	374,903	7,500,000	8,044,079
<b>Net Assets, Beginning of Year</b>	<u>31,357,380</u>	<u>28,802,200</u>	<u>12,342,049</u>	<u>72,501,629</u>
<b>Net Assets, End of Year</b>	<u>\$ 31,526,556</u>	<u>\$ 29,177,103</u>	<u>\$ 19,842,049</u>	<u>\$ 80,545,708</u>

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,375,748	\$ 2,319,139	\$ -	\$ 3,694,887
55,304	-	-	55,304
135,426	-	-	135,426
133,811	-	-	133,811
203,340	-	-	203,340
416,273	-	-	416,273
223,232	-	-	223,232
500,677	1,697,886	-	2,198,563
(455,793)	-	-	(455,793)
<u>2,588,018</u>	<u>4,017,025</u>	<u>-</u>	<u>6,605,043</u>
<u>2,547,877</u>	<u>(2,547,877)</u>	<u>-</u>	<u>-</u>
<u>5,135,895</u>	<u>1,469,148</u>	<u>-</u>	<u>6,605,043</u>
2,289,040	-	-	2,289,040
469,135	-	-	469,135
666,486	-	-	666,486
<u>1,254,735</u>	<u>-</u>	<u>-</u>	<u>1,254,735</u>
4,679,396	-	-	4,679,396
810,123	-	-	810,123
323,097	-	-	323,097
<u>5,812,616</u>	<u>-</u>	<u>-</u>	<u>5,812,616</u>
(676,721)	1,469,148	-	792,427
(10,104)	-	-	(10,104)
<u>(1,223,975)</u>	<u>(3,466,989)</u>	<u>-</u>	<u>(4,690,964)</u>
(1,910,800)	(1,997,841)	-	(3,908,641)
<u>33,268,180</u>	<u>30,800,041</u>	<u>12,342,049</u>	<u>76,410,270</u>
<u>\$ 31,357,380</u>	<u>\$ 28,802,200</u>	<u>\$ 12,342,049</u>	<u>\$ 72,501,629</u>

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

## Consolidated Statements of Cash Flows Years Ended August 31, 2016 and 2015

	2016	2015
<b>Operating Activities</b>		
Change in net assets	\$ 8,044,079	\$ (3,908,641)
Items not requiring (providing) cash		
Depreciation	742,696	788,866
Realized and unrealized (gains) and losses on investments	(2,338,352)	3,331,233
(Gain) loss on disposal of property and equipment	(132)	1,116
Write-downs and losses on real estate held for renovation, restoration and resale	493,554	454,677
Change in beneficial interest in assets held by CICF	25,154	10,104
Forgiveness of debt	-	(36,250)
Endowment contributions received	(7,500,000)	-
Changes in		
Contributions receivable	976,349	(975,145)
Prepaid expenses and other assets	(49,859)	37,126
Real estate held for renovation, restoration and resale	(23,589)	(204,405)
Accounts and annuities payable and other liabilities	(125,822)	150,774
Net cash provided by (used in) operating activities	244,078	(350,545)
<b>Investing Activities</b>		
Purchase of investments	(35,080,554)	(15,315,370)
Sales and maturities of investments	29,131,404	14,852,712
Principal payments received on notes receivable	79,297	38,537
Increase in notes receivable	(141,000)	(81,734)
Purchase of property and equipment	(637,071)	(900,894)
Proceeds from sale of property and equipment	139,753	148,345
Net cash used in investing activities	(6,508,171)	(1,258,404)
<b>Financing Activities</b>		
Principal payments on notes payable	(446,939)	(407,920)
Borrowings on line of credit	-	950,000
Proceeds from endowment contributions	7,500,000	-
Net cash provided by financing activities	7,053,061	542,080
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	788,968	(1,066,869)
<b>Cash and Cash Equivalents, Beginning of Year</b>	611,955	1,678,824
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,400,923	\$ 611,955
<b>Supplemental Cash Flows Information</b>		
Transfer of property and equipment to real estate held for renovation	\$ 425,000	\$ 957,810
Transfer of real estate held for renovation to property and equipment	1,324,072	-
Purchase of property and equipment included in accounts payable	503,887	-



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

## **Notes to Consolidated Financial Statements August 31, 2016 and 2015**

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

#### ***General***

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 tours and other special events. The Foundation has regional offices in Cambridge City, Jeffersonville, Terre Haute, South Bend and Indianapolis, with field offices in Aurora, Evansville and Gary-Miller Beach. The headquarters are located in Indianapolis. The Foundation's revenue and other support are derived principally from contributions and investment return.

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Foundation and the John E. Christian Family Memorial Trust.

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.

#### ***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, 2016, cash equivalents consisted of money market accounts.

The balance in excess of the insured amount was approximately \$857,000 at August 31, 2016.

#### ***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.

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### ***Investments and Investment Return***

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 fair 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 fair 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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

### ***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.

### ***Property and Equipment***

Historic structures, collection items and business property and equipment are recorded at cost upon acquisition or, if donated, at fair value as of the date of gift. Major restorations are capitalized and depreciated while expenditures in the nature of normal repairs and maintenance are charged to expense as incurred.

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

Historic structures and collections are reported as property held for permanent use and demonstration and are not depreciated.

Depreciation of business property and equipment is computed using the straight-line method over estimated useful lives as follows:

	<u>Years</u>
Land improvements	10 to 20
Buildings, building improvements and fixtures	20 to 40
Furniture and equipment including computer equipment	5 to 10
Vehicles	5

### ***Long-Lived Asset Impairment***

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended August 31, 2016 and 2015.

### ***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. Management of the Foundation is not aware of any uncertain tax positions as of August 31, 2016.

### ***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.

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

## **Notes to Consolidated Financial Statements August 31, 2016 and 2015**

### ***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 consolidated 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.

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.

### ***Contributed Services***

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

### ***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 consolidated financial statements, and similarly increase contributions by a like amount. In-kind contributions of \$71,530 and \$1,094,949 were recorded for the years ended August 31, 2016 and 2015.

### ***Expense Allocation***

Expenses have been classified as program services, management and general, 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, 2016 and 2015

### **Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

### **Note 2: Contributions Receivable**

	<b>Unrestricted Purpose</b>	<b>2016 Temporarily Restricted Purpose</b>	<b>Total</b>																																
Due within one year	\$ 156,762	\$ 82,000	\$ 238,762																																
Due in one to five years	73,000	-	73,000																																
	229,762	82,000	311,762																																
Less:																																			
Allowance for uncollectible contributions	20,500	-	20,500																																
Unamortized discount	2,388	-	2,388																																
	\$ 206,874	\$ 82,000	\$ 288,874																																
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;"></th> <th style="width: 15%; text-align: center;"><b>Unrestricted Purpose</b></th> <th style="width: 15%; text-align: center;"><b>2015 Temporarily Restricted Purpose</b></th> <th style="width: 25%; text-align: center;"><b>Total</b></th> </tr> </thead> <tbody> <tr> <td>Due within one year</td> <td style="text-align: right;">\$ 1,038,857</td> <td style="text-align: right;">\$ 179,500</td> <td style="text-align: right;">\$ 1,218,357</td> </tr> <tr> <td>Due in one to five years</td> <td style="text-align: right;">102,900</td> <td style="text-align: right;">-</td> <td style="text-align: right;">102,900</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,141,757</td> <td style="text-align: right; border-top: 1px solid black;">179,500</td> <td style="text-align: right; border-top: 1px solid black;">1,321,257</td> </tr> <tr> <td>Less:</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Allowance for uncollectible contributions</td> <td style="text-align: right;">53,000</td> <td style="text-align: right;">-</td> <td style="text-align: right;">53,000</td> </tr> <tr> <td style="padding-left: 20px;">Unamortized discount</td> <td style="text-align: right;">3,034</td> <td style="text-align: right;">-</td> <td style="text-align: right;">3,034</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,085,723</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 179,500</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,265,223</td> </tr> </tbody> </table>					<b>Unrestricted Purpose</b>	<b>2015 Temporarily Restricted Purpose</b>	<b>Total</b>	Due within one year	\$ 1,038,857	\$ 179,500	\$ 1,218,357	Due in one to five years	102,900	-	102,900		1,141,757	179,500	1,321,257	Less:				Allowance for uncollectible contributions	53,000	-	53,000	Unamortized discount	3,034	-	3,034		\$ 1,085,723	\$ 179,500	\$ 1,265,223
	<b>Unrestricted Purpose</b>	<b>2015 Temporarily Restricted Purpose</b>	<b>Total</b>																																
Due within one year	\$ 1,038,857	\$ 179,500	\$ 1,218,357																																
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	\$ 1,085,723	\$ 179,500	\$ 1,265,223																																

Amounts reflected as unrestricted above are temporarily restricted within the consolidated financial statements. Once collected, use is unrestricted, and the funds are released from restriction within the consolidated financial statements.

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### 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:

	<b>2016</b>			
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers/ Write-Down</b>	<b>Ending Balance</b>
General Fund	\$ 1,380,230	\$ 1,737,264	\$ (1,931,974)	\$ 1,185,520
Endangered Places Fund - Marion County	392,263	92,110	(392,629)	91,744
Endangered Places Fund - Statewide	610,285	351,499	(583,092)	378,692
Northern Indiana Preservation Fund	490,000	-	-	490,000
	<u>\$ 2,872,778</u>	<u>\$ 2,180,873</u>	<u>\$ (2,907,695)</u>	<u>\$ 2,145,956</u>
	<b>2015</b>			
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers/ Write-Down</b>	<b>Ending Balance</b>
General Fund	\$ 436,822	\$ 957,810	\$ (14,402)	\$ 1,380,230
Endangered Places Fund - Marion County	402,344	260,152	(270,233)	392,263
Endangered Places Fund - Statewide	836,074	343,840	(569,629)	610,285
Northern Indiana Preservation Fund	490,000	-	-	490,000
	<u>\$ 2,165,240</u>	<u>\$ 1,561,802</u>	<u>\$ (854,264)</u>	<u>\$ 2,872,778</u>

Based on appraisals and offering prices, the Foundation determines from time to time that the estimated fair value of certain property held for resale is less than its carrying value. In such situations, the Foundation reduces the carrying value of the property to fair value. The write-down reflected in the consolidated statements of activities was approximately \$639,612 in 2016 and \$356,055 in 2015. The amount the Foundation will ultimately realize on real estate held for resale 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, 2016 and 2015

### 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 of \$20,000 at August 31, 2016 and 2015, due to economic conditions affecting the Foundation's collateral. The average balance of impaired receivables was \$106,944 and \$107,824 during 2016 and 2015, and the outstanding balances at August 31, 2016 and 2015 were \$105,927 and \$107,960, respectively.

### Note 5: Investments

The Foundation's investments are as follows:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Domestic equity securities	\$ 3,630,598	\$ 3,584,225	\$ -	\$ -
Equity mutual funds				
Domestic	16,481,150	12,829,462	14,359,711	11,791,640
International	11,644,798	10,864,621	9,886,483	9,107,886
Fixed income mutual funds				
Domestic	16,451,408	16,083,951	9,019,777	9,023,857
International	-	-	3,437,599	3,505,801
Multi strategy mutual funds	87,430	87,122	-	-
Corporate hedge funds				
Long-short hedge fund	1,612,772	1,400,000	1,557,074	1,400,000
Multi-strategy hedge fund	2,625,119	2,738,681	5,477,338	5,216,800
Managed futures hedge fund	2,057,660	1,545,000	1,761,014	1,545,000
Commodity mutual funds	2,539,244	2,861,738	3,343,681	4,491,326
	<u>\$ 57,130,179</u>	<u>\$ 51,994,800</u>	<u>\$ 48,842,677</u>	<u>\$ 46,082,310</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, 2016 and 2015

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest (net of expenses of \$101,175)	\$ 566,623	\$ 232,925	\$ -	\$ 799,548
Net realized and unrealized gains	1,513,258	825,094	-	2,338,352
Total gain on investments	<u>2,079,881</u>	<u>1,058,019</u>	<u>-</u>	<u>3,137,900</u>
Investment return designated for operations	<u>2,191,093</u>	<u>116,908</u>	<u>-</u>	<u>2,308,001</u>
Investment return in excess of (less than) amounts designated for operations	<u>\$ (111,212)</u>	<u>\$ 941,111</u>	<u>\$ -</u>	<u>\$ 829,899</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest (net of expenses of \$101,740)	\$ 214,753	\$ 624,079	\$ -	\$ 838,832
Net realized and unrealized losses	(938,051)	(2,393,182)	-	(3,331,233)
Total loss on investments	<u>(723,298)</u>	<u>(1,769,103)</u>	<u>-</u>	<u>(2,492,401)</u>
Investment return designated for operations	<u>500,677</u>	<u>1,697,886</u>	<u>-</u>	<u>2,198,563</u>
Investment return less than amounts designated for operations	<u>\$ (1,223,975)</u>	<u>\$ (3,466,989)</u>	<u>\$ -</u>	<u>\$ (4,690,964)</u>



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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### 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:

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge fund (A)	\$ 1,612,772	\$ -	Annually Quarterly/	70 days
Multi-strategy hedge fund (B)	2,625,119	-	Annually	45-105 days
Managed futures (C)	<u>2,057,660</u>	<u>-</u>	Monthly	5 days
Total alternative investments	<u>\$ 6,295,551</u>	<u>\$ -</u>		

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge fund (A)	\$ 1,557,074	\$ -	Annually Quarterly/	70 days
Multi-strategy hedge fund (B)	5,477,338	-	Annually	45-105 days
Managed futures (C)	<u>1,761,014</u>	<u>-</u>	Monthly	5 days
Total alternative investments	<u>\$ 8,795,426</u>	<u>\$ -</u>		

- (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.
- (B) This category includes investment in three hedge funds 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 category includes investments in global commodity, equity, currency, bond and interest rate futures.

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

**Notes to Consolidated Financial Statements  
August 31, 2016 and 2015**

**Note 6: Property and Equipment**

The Foundation's property and equipment are as follows:

	<u>2016</u>	<u>2015</u>
Land improvements	\$ 1,192,178	\$ 1,228,972
Buildings and fixtures	18,194,043	18,674,034
Furniture	597,763	597,763
Equipment, including computers	443,900	450,080
	<u>20,427,884</u>	<u>20,950,849</u>
Accumulated depreciation	(4,590,423)	(4,161,732)
	15,837,461	16,789,117
Land	600,087	493,666
Construction in process	1,363,035	-
Property held for permanent use and demonstration	3,310,997	3,310,997
Inventory on hand	66,992	69,294
	<u>\$ 21,178,572</u>	<u>\$ 20,663,074</u>

**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, 2016 and 2015**

**Note 8: Notes Payable**

Notes payable consists of the following:

	2016	2015
Promissory note - Prime rate less 0.60%. Matures September 25, 2018. Requires monthly payments of \$9,960 and a final balloon payment in September 2018. Secured by a portion of the Foundation's endowment investments	\$ 463,781	\$ 910,720

Aggregate annual maturities of notes payable at August 31, 2016 are:

2017		\$ 119,520
2018		119,520
2019		224,741
		\$ 463,781

**Note 9: Line of Credit**

In February 2016, the Foundation renewed a line of credit with a maximum amount of \$1.5 million, to be used for the restoration of the Evansville Greyhound Bus Station. The line matures in February 2017 and carries an interest rate of prime less 0.55%. The line is collateralized by an additional \$5.0 million to be maintained in cash and investments. At August 31, 2016 and 2015, \$950,000 had been drawn on this line of credit.

In September 2016, this line of credit was increased to \$2.3 million.

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### Note 10: 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, 2016 and 2015 of \$36,239 and \$42,557, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 5% to 6.9%.

### Note 11: Deferred Revenue - 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, 2016 and 2015 of \$191,399 and \$197,113, respectively, which represents the amount of the discount for future interest. The liability has been determined using a discount rate of 5.4%.

### Note 12: Temporarily Restricted Net Assets

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

	2016	2015
Preservation Service Program Activities		
Designated grants	\$ 1,317,954	\$ 1,339,725
Awards	1,269,947	319,726
Endangered Properties Program	215,217	582,100
Calumet Regional Office	48,136	89,100
Maintenance of Kemper House	373,876	373,876
Maintenance of Morris Butler House	324,444	324,444
Veraestau Historic Site	2,038,538	2,038,597
For periods after August 31, 2016 and 2015	970,273	1,952,336
Unappropriated endowment earnings	22,618,718	21,782,296
	\$ 29,177,103	\$ 28,802,200

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### Note 13: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	2016	2015
Property to be used as historic house museum and preservation center	\$ 1,867,000	\$ 1,867,000
Endangered Places Program Director	500,000	500,000
Endangered Places grants	1,000,000	1,000,000
Montgomery County projects	103,931	103,931
Maintenance of Indiana Landmarks Center	3,000,000	-
Support of regional offices	4,500,000	-
Investment in perpetuity, the income of which is expendable to support any activity of the organization	8,871,118	8,871,118
	\$ 19,842,049	\$ 12,342,049

### Note 14: 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.

	2016	2015
Purpose restriction accomplished		
Preservation services program expenses	\$ 1,017,122	\$ 958,591
Endowment appropriation	-	1,583,865
Time restriction accomplished	982,063	5,421
Total net assets released from restriction	\$ 1,999,185	\$ 2,547,877

### Note 15: Endowment

The Foundation's endowment consists of nineteen 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.

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

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

The composition of net assets by type of endowment fund at August 31, 2016 and 2015, was:

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (2,422)	\$ 22,618,718	\$ 19,842,049	\$ 42,458,345
Board-designated endowment funds	6,975,622	-	-	6,975,622
Total endowment funds	\$ 6,973,200	\$ 22,618,718	\$ 19,842,049	\$ 49,433,967
	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (2,832)	\$ 21,782,296	\$ 12,342,049	\$ 34,121,513
Board-designated endowment funds	6,527,570	-	-	6,527,570
Total endowment funds	\$ 6,524,738	\$ 21,782,296	\$ 12,342,049	\$ 40,649,083

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

Changes in endowment net assets for the years ended August 31, 2016 and 2015 were:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 6,524,738	\$ 21,782,296	\$ 12,342,049	\$ 40,649,083
Investment return:				
Investment income	509,504	189,227	-	698,731
Net realized and unrealized gains	1,555,762	647,195	-	2,202,957
Total investment return	2,065,266	836,422	-	2,901,688
Contributions	503,892	-	7,500,000	8,003,892
Appropriation of endowment assets for expenditure and actual expenditures	(2,157,161)	-	-	(2,157,161)
Other changes	36,465	-	-	36,465
Endowment net assets, end of year	\$ 6,973,200	\$ 22,618,718	\$ 19,842,049	\$ 49,433,967
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 7,014,016	\$ 25,017,636	\$ 12,342,049	\$ 44,373,701
Investment return (loss):				
Investment income	144,871	581,190	-	726,061
Net realized and unrealized losses	(499,655)	(2,232,665)	-	(2,732,320)
Total investment loss	(354,784)	(1,651,475)	-	(2,006,259)
Contributions	807,499	-	-	807,499
Appropriation of endowment assets for expenditure and actual expenditures	(738,362)	(1,583,865)	-	(2,322,227)
Other changes	(203,631)	-	-	(203,631)
Endowment net assets, end of year	\$ 6,524,738	\$ 21,782,296	\$ 12,342,049	\$ 40,649,083

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at August 31, 2016 and 2015, consisted of:

	2016	2015
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 19,842,049	\$ 12,342,049
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time restriction under SPMIFA without purpose restrictions	\$ 22,618,718	\$ 21,782,296

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. A deficiency of \$2,422 and \$2,832 existed at August 31 2016 and 2015, respectively.

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.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure 5.0% of its endowment fund's average fair value over the prior twenty 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 5.0% 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. For unrestricted, board-designated endowment funds, the Foundation releases funds for actual expenditures, not the amount under the spending policy.



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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### Note 16: 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 2016 and 2015 was \$122,233 and \$117,334, respectively.

### Note 17: Disclosures About Fair Values of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### **Recurring Measurements**

The following tables present the fair value measurements of assets 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, 2016 and 2015:

	Fair Value	2016 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				
Domestic equity securities	\$ 3,630,598	\$ 3,630,598	\$ -	\$ -
Equity mutual funds				
Domestic	16,481,150	16,481,150	-	-
International	11,644,798	11,644,798	-	-
Fixed income mutual funds				
Domestic	16,451,408	16,451,408	-	-
Multi strategy mutual funds	87,430	87,430	-	-
Corporate hedge funds				
Long-short hedge fund	1,612,772	-	1,612,772	-
Multi-strategy hedge fund	2,625,119	-	2,625,119	-
Managed futures hedge fund	2,057,660	-	2,057,660	-
Commodity mutual funds	2,539,244	2,539,244	-	-
	<u>57,130,179</u>	<u>50,834,628</u>	<u>6,295,551</u>	<u>-</u>
Cash and cash equivalents - money market funds	1,074,127	1,074,127	-	-
Beneficial interest in assets held by CICF	239,359	-	-	239,359
	<u>\$ 58,443,665</u>	<u>\$ 51,908,755</u>	<u>\$ 6,295,551</u>	<u>\$ 239,359</u>

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

	2015			
	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 mutual funds				
Domestic	\$ 14,359,711	\$ 14,359,711	\$ -	\$ -
International	9,886,483	9,886,483	-	-
Fixed income mutual funds				
Domestic	9,019,777	9,019,777	-	-
International	3,437,599	3,437,599	-	-
Corporate hedge funds				
Long-short hedge fund	1,557,074	-	1,557,074	-
Multi-strategy hedge fund	5,477,338	-	5,477,338	-
Managed futures hedge fund	1,761,014	-	1,761,014	-
Commodity mutual funds	3,343,681	3,343,681	-	-
	<u>48,842,677</u>	<u>40,047,251</u>	<u>8,795,426</u>	<u>-</u>
Cash and cash equivalents - money market funds	257,557	257,557	-	-
Beneficial interest in assets held by CICF	264,513	-	-	264,513
	<u>\$ 49,364,747</u>	<u>\$ 40,304,808</u>	<u>\$ 8,795,426</u>	<u>\$ 264,513</u>

Following is a description of the valuation methodologies and inputs used for assets 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 assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2016. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### **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.

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### **Investments**

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Foundation expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2.

### **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.

Fair value determinations for Level 3 measurements are the responsibility of the finance department. The finance department challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

### **Level 3 Reconciliation**

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:

	<b>Beneficial Interest in Assets Held by CICF</b>
Balance, September 1, 2014	\$ 274,617
Change in beneficial interest in assets held by CICF	<u>(10,104)</u>
Balance, August 31, 2015	264,513
Change in beneficial interest in assets held by CICF	<u>(25,154)</u>
Balance, August 31, 2016	<u><u>\$ 239,359</u></u>

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

## Notes to Consolidated Financial Statements August 31, 2016 and 2015

### **Nonrecurring Measurements**

The following tables present the fair value measurement 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, 2016 and 2015:

	<b>2016</b>			
	<b>Fair Value Measurements Using</b>			
<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Real estate held for resale	\$ 948,514	\$ -	\$ -	\$ 948,514

	<b>2015</b>			
	<b>Fair Value Measurements Using</b>			
<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Real estate held for resale	\$ 809,900	\$ -	\$ -	\$ 809,900

Following is a description of the valuation methodologies and inputs 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. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### **Real Estate Held for Renovation, Restoration and Resale**

Fair value for real estate held for resale 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 they are believed to be below the carrying value. Given the unusual and historic nature of many of these properties, they are classified within Level 3 of the valuation hierarchy.

Fair value determinations for Level 3 measurements are the responsibility of the finance department. The finance department challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

**Historic Landmarks Foundation of Indiana, Inc.  
d/b/a Indiana Landmarks  
Notes to Consolidated Financial Statements  
August 31, 2016 and 2015**

***Unobservable (Level 3) Inputs***

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair Value at August 31,		Valuation Technique	Unobservable Inputs	Range
	2016	2015			
Beneficial interest in assets held by CICF	\$ 239,359	\$ 264,513	Discounted cash flow	Growth factor Discount rate	6% 6%
Real estate held for resale	\$ 948,514	\$ 809,900	Appraisals/Market comparable properties	Unknown	Unknown

**Note 18: Commitments and Guarantees**

The Foundation previously had guaranteed two financing agreements to unrelated third-parties for \$180,000 in 2015. During 2016, these guarantees were terminated. At August 31, 2015, the Foundation did not record a liability under the guarantee agreements.

Additionally, the Foundation makes commitments to extend credit under its Endangered Places Loan Fund program. There is \$322,000 in commitments outstanding under these programs at August 31, 2016.

**Note 19: Contribution Concentration**

Approximately 74% and 34% of all contributions for 2016 and 2015, respectively, were received from one donor. A separate donor contributed approximately 11% of all contributions for 2016 while another donor contributed approximately 24% for 2015.

## **Supplementary Information**

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Analysis of Functional Expenses**  
**Year Ended August 31, 2016**  
**(With Comparative Totals for 2015)**

	2016							2015 Total Expenses	
	Program Services				Total Program	Management and General	Fund Raising		Total Expenses
	Preservation Services	Marketing and Membership Services	Event Shops and Tours	Property Management and Museums					
Salaries and wages	\$ 960,383	\$ 316,549	\$ 301,290	\$ 74,518	\$ 1,652,740	\$ 360,632	\$ 181,775	\$ 2,195,147	\$ 2,037,853
Employee benefits	242,659	84,754	74,978	4,669	407,060	89,926	55,240	552,226	538,109
Total salaries, wages and related expenses	1,203,042	401,303	376,268	79,187	2,059,800	450,558	237,015	2,747,373	2,575,962
Professional services and fees	197,940	113,718	7,247	-	318,905	109,778	4,650	433,333	371,371
Promotion and publicity	10,907	32,190	36,831	10	79,938	(146)	26,035	105,827	135,987
Travel, meetings and training	150,904	1,162	18,781	-	170,847	8,707	47,107	226,661	189,614
Utilities	85,432	-	(16)	115,836	201,252	4,027	-	205,279	182,756
Contributions, grants and awards	291,691	-	-	-	291,691	-	-	291,691	572,862
Maintenance	91,244	-	27,937	230,481	349,662	28,314	11,001	388,977	322,122
Supplies, dues and subscriptions	35,337	11,901	15,259	-	62,497	53,754	2,831	119,082	80,916
Postage	4,073	17,112	693	-	21,878	2,720	7,015	31,613	39,142
Rental	10,180	-	28,445	-	38,625	4,674	-	43,299	41,891
Depreciation	-	-	-	682,826	682,826	59,870	-	742,696	788,866
Cost of goods sold	-	-	138,864	-	138,864	-	-	138,864	145,551
Insurance	67,496	-	4,644	105,281	177,421	38,351	-	215,772	207,851
Miscellaneous	98,749	-	28,040	-	126,789	101,562	-	228,351	157,725
Totals, year ended August 31, 2016	<u>\$ 2,246,995</u>	<u>\$ 577,386</u>	<u>\$ 682,993</u>	<u>\$ 1,213,621</u>	<u>\$ 4,720,995</u>	<u>\$ 862,169</u>	<u>\$ 335,654</u>	<u>\$ 5,918,818</u>	
Totals, year ended August 31, 2015	<u>\$ 2,289,040</u>	<u>\$ 469,135</u>	<u>\$ 666,486</u>	<u>\$ 1,254,735</u>	<u>\$ 4,679,396</u>	<u>\$ 810,123</u>	<u>\$ 323,097</u>		<u>\$ 5,812,616</u>



**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Analysis of Functional Expenses**  
**Year Ended August 31, 2015**  
**(With Comparative Totals for 2014)**

	2015					Management and General	Fund Raising	Total Expenses	2014 Total Expenses
	Program Services				Total Program				
Preservation Services	Marketing and Membership Services	Event Shops and Tours	Property Management and Museums						
Salaries and wages	\$ 877,637	\$ 304,933	\$ 286,532	\$ 73,672	\$ 1,542,774	\$ 327,073	\$ 168,006	\$ 2,037,853	\$ 1,984,835
Employee benefits	220,120	89,908	69,004	4,441	383,473	105,295	49,341	538,109	537,684
Total salaries, wages and related expenses	1,097,757	394,841	355,536	78,113	1,926,247	432,368	217,347	2,575,962	2,522,519
Professional services and fees	209,813	25,301	11,531	-	246,645	119,398	5,328	371,371	272,606
Promotion and publicity	34,879	26,892	43,698	170	105,639	527	29,821	135,987	169,600
Travel, meetings and training	122,991	521	10,302	-	133,814	10,660	45,140	189,614	270,465
Utilities	61,775	-	79	112,055	173,909	8,847	-	182,756	191,299
Contributions, grants and awards	572,862	-	-	-	572,862	-	-	572,862	299,743
Maintenance	42,123	-	22,571	236,323	301,017	11,145	9,960	322,122	361,129
Supplies, dues and subscriptions	17,899	2,519	17,807	-	38,225	37,427	5,264	80,916	109,868
Postage	5,809	18,900	695	-	25,404	3,501	10,237	39,142	46,314
Rental	9,928	-	27,556	-	37,484	4,407	-	41,891	41,456
Depreciation	-	-	-	725,274	725,274	63,592	-	788,866	780,696
Cost of goods sold	-	-	145,551	-	145,551	-	-	145,551	177,703
Insurance	66,525	-	4,346	102,800	173,671	34,180	-	207,851	201,627
Miscellaneous	46,679	161	26,814	-	73,654	84,071	-	157,725	152,304
Totals, year ended August 31, 2015	<u>\$ 2,289,040</u>	<u>\$ 469,135</u>	<u>\$ 666,486</u>	<u>\$ 1,254,735</u>	<u>\$ 4,679,396</u>	<u>\$ 810,123</u>	<u>\$ 323,097</u>	<u>\$ 5,812,616</u>	
Totals, year ended August 31, 2014	<u>\$ 1,754,202</u>	<u>\$ 489,386</u>	<u>\$ 984,573</u>	<u>\$ 1,267,936</u>	<u>\$ 4,496,097</u>	<u>\$ 742,171</u>	<u>\$ 359,061</u>		<u>\$ 5,597,329</u>

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Schedule of Net Assets Detail**  
**August 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Net Assets</b>		
General Fund	\$ 21,260,005	\$ 21,509,282
Affinity Groups	57,128	42,437
Endangered Places Fund - Marion County	349,533	275,333
Endangered Places Fund - Statewide	2,022,416	1,711,343
Indiana Landmarks Center Maintenance Fund	3,045,370	3,060,827
Kemper House Maintenance Fund	183,285	174,106
Morris-Butler House Capital Maintenance Fund	74,671	74,969
Prentice Fund (Willey Allhands)	88,438	88,981
Preservation Grants Fund	411,295	467,734
Publications Fund	-	6,679
Easement Monitoring Fund	741,064	739,617
John E. Christian Family Memorial Trust, Inc.	3,293,351	3,206,072
Total unrestricted net assets	<u>31,526,556</u>	<u>31,357,380</u>
<b>Temporarily Restricted Net Assets</b>		
Calumet Regional Office	48,136	89,100
Endangered Places Fund	215,217	582,100
Grants for Historic Preservation Projects	281,222	182,882
Kemper House Maintenance Fund	373,876	373,876
Morris-Butler House Capital Maintenance Fund	324,444	324,444
Northern Indiana Preservation Fund	490,000	490,000
Sacred Places Indiana Fund	1,036,732	1,156,843
Sandi Servaas Memorial Fund	1,269,947	319,726
Veraestau Historic Site	2,038,538	2,038,597
Unappropriated permanent endowment earnings	22,618,718	21,782,296
General Fund - time restricted contributions	480,273	1,462,336
Total temporarily restricted net assets	<u>29,177,103</u>	<u>28,802,200</u>
<b>Permanently Restricted Net Assets</b>		
Efroymsen Family Fund	500,000	500,000
Efroymsen Family Endangered Places Grant Fund	1,000,000	1,000,000
Eli Lilly Endowment Fund	8,871,118	8,871,118
Historic Preservation Endowment Fund	7,500,000	-
Montgomery County Fund	103,931	103,931
Veraestau Historic Site	1,867,000	1,867,000
Total permanently restricted net assets	<u>19,842,049</u>	<u>12,342,049</u>
Total net assets	<u>\$ 80,545,708</u>	<u>\$ 72,501,629</u>