

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

Independent Auditor's Report and Consolidated Financial Statements  
August 31, 2018 and 2017

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**August 31, 2018 and 2017**

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## Independent Auditor's Report

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, and its subsidiary, which comprise the consolidated statements of financial position as of August 31, 2018 and 2017, 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 Consolidated 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 of Indiana, Inc. d/b/a Indiana Landmarks and its subsidiary as of August 31, 2018 and 2017, 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 have previously audited the 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited 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 19, 2018

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Statements of Financial Position**  
**August 31, 2018 and 2017**

**Assets**

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 2,119,908	\$ 1,818,785
Contributions receivable	130,178	336,781
Prepaid expenses and other receivables	188,330	186,801
Real estate held for renovation, restoration and resale	1,654,745	2,028,874
Notes receivable, net of allowance for loss, 2018 - \$125,000 and 2017 - \$20,000	460,595	433,595
Investments	62,186,793	59,780,843
Property and equipment	18,743,896	19,126,629
Property held under operating lease	2,038,430	2,218,849
Beneficial interest in assets held by CICF	249,388	248,048
Total assets	\$ 87,772,263	\$ 86,179,205

**Liabilities**

Accounts payable and accrued expenses	\$ 485,895	\$ 386,307
Notes payable	1,983,848	2,511,888
Annuities payable	17,849	32,055
Deferred revenue - life estates	179,030	185,377
Total liabilities	2,666,622	3,115,627

**Net Assets**

Unrestricted	32,011,648	31,281,277
Temporarily restricted	33,226,944	31,915,252
Permanently restricted	19,867,049	19,867,049
Total net assets	85,105,641	83,063,578
Total liabilities and net assets	\$ 87,772,263	\$ 86,179,205

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Statements of Activities**  
**Years Ended August 31, 2018 and 2017**

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue, Gains and Other Support</b>				
Contributions	\$ 925,254	\$ 583,916	\$ -	\$ 1,509,170
Federal grants	6,000	-	-	6,000
Other grants	40,000	-	-	40,000
Membership dues	158,920	-	-	158,920
Tour income	204,767	-	-	204,767
Consulting, ticket sales and other	515,350	-	-	515,350
Rents	418,812	-	-	418,812
Investment return designated for current operations	2,495,866	148,412	-	2,644,278
Net gain (loss) on sale and write-down of real estate	1,144,872	-	-	1,144,872
	<u>5,909,841</u>	<u>732,328</u>	<u>-</u>	<u>6,642,169</u>
Net assets released from restrictions	966,361	(966,361)	-	-
Total revenue, gains and other support	<u>6,876,202</u>	<u>(234,033)</u>	<u>-</u>	<u>6,642,169</u>
<b>Expenses</b>				
Program services				
Preservation services	2,726,071	-	-	2,726,071
Marketing and membership services	560,100	-	-	560,100
Events, shops and tours	834,922	-	-	834,922
Property management and museums	1,392,844	-	-	1,392,844
Total program services	<u>5,513,937</u>	<u>-</u>	<u>-</u>	<u>5,513,937</u>
Management and general	855,315	-	-	855,315
Fund raising	354,930	-	-	354,930
Total expenses	<u>6,724,182</u>	<u>-</u>	<u>-</u>	<u>6,724,182</u>
<b>Change in Net Assets Before Other Changes</b>	152,020	(234,033)	-	(82,013)
<b>Other Changes</b>				
Change in beneficial interest in assets held by CICF	1,340	-	-	1,340
Investment return in excess of amounts designated for current operations	<u>577,011</u>	<u>1,545,725</u>	<u>-</u>	<u>2,122,736</u>
<b>Change in Net Assets</b>	730,371	1,311,692	-	2,042,063
<b>Net Assets, Beginning of Year</b>	<u>31,281,277</u>	<u>31,915,252</u>	<u>19,867,049</u>	<u>83,063,578</u>
<b>Net Assets, End of Year</b>	<u>\$ 32,011,648</u>	<u>\$ 33,226,944</u>	<u>\$ 19,867,049</u>	<u>\$ 85,105,641</u>

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,083,615	\$ 1,352,967	\$ 25,000	\$ 2,461,582
11,000	-	-	11,000
30,000	-	-	30,000
118,488	-	-	118,488
230,794	-	-	230,794
436,454	-	-	436,454
453,827	-	-	453,827
2,334,270	128,187	-	2,462,457
(484,106)	-	-	(484,106)
<u>4,214,342</u>	<u>1,481,154</u>	<u>25,000</u>	<u>5,720,496</u>
865,416	(865,416)	-	-
<u>5,079,758</u>	<u>615,738</u>	<u>25,000</u>	<u>5,720,496</u>
2,248,560	-	-	2,248,560
560,764	-	-	560,764
739,712	-	-	739,712
<u>1,337,225</u>	<u>-</u>	<u>-</u>	<u>1,337,225</u>
4,886,261	-	-	4,886,261
880,519	-	-	880,519
330,652	-	-	330,652
<u>6,097,432</u>	<u>-</u>	<u>-</u>	<u>6,097,432</u>
(1,017,674)	615,738	25,000	(376,936)
8,689	-	-	8,689
<u>763,706</u>	<u>2,122,411</u>	<u>-</u>	<u>2,886,117</u>
(245,279)	2,738,149	25,000	2,517,870
<u>31,526,556</u>	<u>29,177,103</u>	<u>19,842,049</u>	<u>80,545,708</u>
<u>\$ 31,281,277</u>	<u>\$ 31,915,252</u>	<u>\$ 19,867,049</u>	<u>\$ 83,063,578</u>

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Statements of Cash Flows**  
**Years Ended August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating Activities</b>		
Change in net assets	\$ 2,042,063	\$ 2,517,870
Items not requiring (providing) cash		
Depreciation	880,764	797,998
Realized and unrealized gains on investments	(3,817,328)	(4,195,054)
Write-downs and losses on real estate held for renovation, restoration and resale	145,513	484,106
Provision for uncollectible notes receivable	105,000	-
Change in beneficial interest in assets held by CICF	(1,340)	(8,689)
Contributions of long-lived assets	-	(102,000)
Changes in		
Contributions receivable	206,603	(47,907)
Prepaid expenses and other assets	(1,529)	7,646
Real estate held for renovation, restoration and resale	228,616	(44,004)
Accounts and annuities payable and other liabilities	79,035	40,578
Net cash used in operating activities	<u>(132,603)</u>	<u>(549,456)</u>
<b>Investing Activities</b>		
Purchase of investments	(44,207,624)	(6,670,627)
Sales and maturities of investments	45,619,002	8,215,017
Principal payments received on notes receivable	75,000	224,632
Advances on notes receivable	(207,000)	(210,000)
Purchase of property and equipment and leased property	(489,570)	(1,832,852)
Proceeds from sale of property and equipment	171,958	143,041
Net cash provided by (used in) investing activities	<u>961,766</u>	<u>(130,789)</u>
<b>Financing Activities</b>		
Principal payments on notes payable	(528,040)	(251,893)
Proceeds from note payable	-	1,350,000
Net cash provided by (used in) financing activities	<u>(528,040)</u>	<u>1,098,107</u>
<b>Net Increase in Cash and Cash Equivalents</b>	301,123	417,862
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,818,785</u>	<u>1,400,923</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,119,908</u>	<u>\$ 1,818,785</u>
<b>Supplemental Cash Flows Information</b>		
Transfer of property and equipment to real estate held for renovation	\$ -	\$ 221,020



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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

### 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 and Wabash. 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, 2018, cash equivalents consisted of money market accounts.

The balance in excess of the insured amount was approximately \$1,100,000 at August 31, 2018.

#### ***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, 2018 and 2017**

***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. Management determines past due status of each note receivable on an individual basis when the borrower is not paying based on the terms of the loan agreement. Management stops accruing interest on impaired loans when it is deemed unlikely that the borrower will be unable to pay the full balance in accordance with the loan agreement.

***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, 2018 and 2017

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:

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

### ***Property Held Under Operating Lease***

In November 2016, the Foundation commenced an agreement to lease real estate in Evansville, Indiana to a third party. The lease term is ten years, during which the property is restricted for use as a restaurant. The lease is recorded as an operating lease. The lease does not provide for automatic renewal and includes an option to purchase a rider, which allows the tenant to purchase the leased premises if certain conditions are met, and takes into consideration the Foundation's aggregate investment in the property. Monthly lease payments are \$100 plus an additional amount based on a percentage of gross restaurant sales at the leased property, which are recognized as earned each month. During the years ended August 31, 2018 and 2017, the Foundation recognized lease income of \$164,246 and \$141,798, respectively. Depreciation on the leased property is computed using the straight-line method over 15 years. The Foundation's leased property as of August 31 is:

	<b>2018</b>	<b>2017</b>
Land improvements	\$ 70,380	\$ 100,380
Buildings and fixtures	2,195,179	2,195,178
	2,265,559	2,295,558
Accumulated depreciation	(227,129)	(76,709)
	\$ 2,038,430	\$ 2,218,849

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Notes to Consolidated Financial Statements**  
**August 31, 2018 and 2017**

***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, 2018 and 2017.

***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, 2018.

***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 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.

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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

### **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 \$87,880 and \$115,855 were recorded for the years ended August 31, 2018 and 2017.

### **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.

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

	<b>2018</b>	<b>2017</b>
Due within one year	\$ 110,178	\$ 291,881
Due in one to five years	20,000	44,900
	<u>\$ 130,178</u>	<u>\$ 336,781</u>

Contributions receivable 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, 2018 and 2017

### 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>2018</b>			
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers/ Write-Down</b>	<b>Ending Balance</b>
General Fund	\$ 1,006,015	\$ -	\$ (406,320)	\$ 599,695
Endangered Places Fund - Marion County	185,896	95,605	(106,941)	174,560
Endangered Places Fund - Statewide	346,963	423,062	(379,535)	390,490
Northern Indiana Preservation Fund	490,000	-	-	490,000
	<u>\$ 2,028,874</u>	<u>\$ 518,667</u>	<u>\$ (892,796)</u>	<u>\$ 1,654,745</u>
	<b>2017</b>			
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers/ Write-Down</b>	<b>Ending Balance</b>
General Fund	\$ 1,185,520	\$ 245,495	\$ (425,000)	\$ 1,006,015
Endangered Places Fund - Marion County	91,744	147,435	(53,283)	185,896
Endangered Places Fund - Statewide	378,692	511,793	(543,522)	346,963
Northern Indiana Preservation Fund	490,000	-	-	490,000
	<u>\$ 2,145,956</u>	<u>\$ 904,723</u>	<u>\$ (1,021,805)</u>	<u>\$ 2,028,874</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 \$115,963 in 2018 and \$256,087 in 2017. 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, 2018 and 2017

### 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 \$125,000 and \$20,000 at August 31, 2018 and 2017, respectively, due to economic conditions affecting the Foundation's collateral. The average balance of impaired receivables was \$108,095 and \$98,558 during 2018 and 2017, and the outstanding balances at August 31, 2018 and 2017 were \$145,595 and \$70,595, respectively.

### Note 5: Investments

The Foundation's investments are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Domestic equity securities	\$ 4,591,795	\$ 3,639,493	\$ 4,773,575	\$ 4,407,380
Equity mutual funds				
Domestic	20,257,577	13,277,735	17,748,137	12,572,644
International	18,338,330	17,841,225	13,537,665	11,374,033
Fixed income mutual funds				
Domestic	8,998,239	9,137,061	16,272,526	16,146,453
International	3,760,179	3,919,500	-	-
Multi-strategy mutual funds	-	-	91,739	89,076
Corporate hedge funds				
Long-short hedge fund	-	-	1,830,377	1,400,000
Multi-strategy hedge fund	3,070,994	3,017,979	1,253,122	1,243,325
Managed futures hedge fund	-	-	1,953,970	1,545,000
Commodity mutual funds	3,169,679	3,053,748	2,319,732	2,524,320
	<u>\$ 62,186,793</u>	<u>\$ 53,886,741</u>	<u>\$ 59,780,843</u>	<u>\$ 51,302,231</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, 2018 and 2017

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

	<b>2018</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Dividends and interest (net of expenses of \$134,214)	\$ 591,947	\$ 357,739	\$ -	\$ 949,686
Net realized and unrealized gains	2,480,930	1,336,398	-	3,817,328
Total gain on investments	<u>3,072,877</u>	<u>1,694,137</u>	-	4,767,014
Investment return designated for operations	<u>2,495,866</u>	<u>148,412</u>	-	<u>2,644,278</u>
Investment return in excess of amounts designated for operations	<u>\$ 577,011</u>	<u>\$ 1,545,725</u>	\$ -	<u>\$ 2,122,736</u>
	<b>2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Dividends and interest (net of expenses of \$123,534)	\$ 650,683	\$ 502,837	\$ -	\$ 1,153,520
Net realized and unrealized gains	2,447,293	1,747,761	-	4,195,054
Total gain on investments	<u>3,097,976</u>	<u>2,250,598</u>	-	5,348,574
Investment return designated for operations	<u>2,334,270</u>	<u>128,187</u>	-	<u>2,462,457</u>
Investment return in excess of amounts designated for operations	<u>\$ 763,706</u>	<u>\$ 2,122,411</u>	\$ -	<u>\$ 2,886,117</u>



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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

### **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:

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge fund (B)	\$ 3,070,994	\$ -	Annually	45-105 days
	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge fund (A)	\$ 1,830,377	\$ -	Annually	70 days
Multi-strategy hedge fund (B)	1,253,122	-	Quarterly/ Annually	45-105 days
Managed futures (C)	1,953,970	-	Monthly	5 days
Total alternative investments	\$ 5,037,469	\$ -		

- (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 one hedge fund at August 31, 2018 (two hedge funds at August 31, 2017) 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, 2018 and 2017**

**Note 6: Property and Equipment**

The Foundation's property and equipment is as follows:

	<b>2018</b>	<b>2017</b>
Land improvements	\$ 1,192,178	\$ 1,192,178
Buildings and fixtures	17,959,738	17,959,738
Furniture	577,634	577,634
Equipment, including computers	494,655	494,655
	20,224,205	20,224,205
Accumulated depreciation	(5,896,707)	(5,166,362)
	14,327,498	15,057,843
Land	600,087	600,087
Construction in process	434,417	90,016
Property held for permanent use and demonstration	3,310,997	3,310,997
Inventory on hand	70,897	67,686
	\$ 18,743,896	\$ 19,126,629

**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, 2018 and 2017

### Note 8: Notes Payable

Notes payable consists of the following:

	2018	2017
Promissory note - Prime rate, less 0.60%. Paid in full during 2018	\$ -	\$ 305,861
Promissory note - 4.25%. Matures February 17, 2027. Requires monthly payments of \$23,624. Outstanding balance secured by a portion of the Foundation's endowment investments	1,983,848	2,206,027
	\$ 1,983,848	\$ 2,511,888

Aggregate annual maturities of notes payable at August 31, 2018 are:

2019	\$ 201,017
2020	209,729
2021	218,818
2022	228,301
2023	238,195
Thereafter	887,788
	\$ 1,983,848

Interest expense recognized and paid during 2018 and 2017 was \$143,464 and \$138,316, respectively.

### 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, 2018 and 2017 of \$17,849 and \$32,055, which represents the present value of the future annuity obligations. The liability has been determined using discount rate of 6.9%.

### Note 10: 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, 2018 and 2017 of \$179,030 and \$185,377, respectively, which represents the amount of the discount for future interest. The liability has been determined using a discount rate of 5.4%.

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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

### Note 11: Temporarily Restricted Net Assets

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

	<b>2018</b>	<b>2017</b>
Preservation Service Program Activities		
Designated grants	\$ 1,346,327	\$ 1,448,243
Awards	2,206,081	2,127,301
Endangered Properties Program	147,000	7,850
Calumet Regional Office	-	13,887
Maintenance of Kemper House	373,876	373,876
Maintenance of Morris Butler House	301,064	313,794
Veraestau Historic Site	2,197,984	2,132,488
For periods after August 31, 2018 and 2017	799,208	987,158
Unappropriated endowment earnings	25,855,404	24,510,655
	\$ 33,226,944	\$ 31,915,252

### Note 12: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	<b>2018</b>	<b>2017</b>
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
Investment in perpetuity, the income of which is expendable to support any activity of the organization	8,896,118	8,896,118
Historic Preservation Endowment Fund:		
Maintenance of Indiana Landmarks Center	3,000,000	3,000,000
Support of regional offices	4,500,000	4,500,000
	\$ 19,867,049	\$ 19,867,049

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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

### 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.

	2018	2017
Purpose restriction accomplished		
Preservation services program expenses	\$ 778,411	\$ 859,394
Time restriction accomplished	187,950	6,022
Total net assets released from restriction	\$ 966,361	\$ 865,416

### Note 14: 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.

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, 2018 and 2017

The composition of net assets by type of endowment fund at August 31, 2018 and 2017, was:

	<b>2018</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 25,855,404	\$ 19,867,049	\$ 45,722,453
Board-designated endowment funds	7,393,120	-	-	7,393,120
	<u>\$ 7,393,120</u>	<u>\$ 25,855,404</u>	<u>\$ 19,867,049</u>	<u>\$ 53,115,573</u>
	<b>2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 24,510,655	\$ 19,867,049	\$ 44,377,704
Board-designated endowment funds	7,404,493	-	-	7,404,493
	<u>\$ 7,404,493</u>	<u>\$ 24,510,655</u>	<u>\$ 19,867,049</u>	<u>\$ 51,782,197</u>

Changes in endowment net assets for the years ended August 31, 2018 and 2017 were:

	<b>2018</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 7,404,493	\$ 24,510,655	\$ 19,867,049	\$ 51,782,197
Investment return:				
Investment income	586,612	283,971	-	870,583
Net realized and unrealized gains	2,134,388	1,060,778	-	3,195,166
Total investment return	<u>2,721,000</u>	<u>1,344,749</u>	<u>-</u>	<u>4,065,749</u>
Contributions	327,936	-	-	327,936
Appropriation of endowment assets for expenditure and actual expenditures	(2,682,520)	-	-	(2,682,520)
Other changes	<u>(377,789)</u>	<u>-</u>	<u>-</u>	<u>(377,789)</u>
Endowment net assets, end of year	<u>\$ 7,393,120</u>	<u>\$ 25,855,404</u>	<u>\$ 19,867,049</u>	<u>\$ 53,115,573</u>

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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 6,973,200	\$ 22,618,718	\$ 19,842,049	\$ 49,433,967
Investment return:				
Investment income	625,934	425,490	-	1,051,424
Net realized and unrealized gains	2,106,661	1,466,447	-	3,573,108
Total investment return	2,732,595	1,891,937	-	4,624,532
Contributions	520,751	-	25,000	545,751
Appropriation of endowment assets for expenditure and actual expenditures	(2,472,272)	-	-	(2,472,272)
Other changes	(349,781)	-	-	(349,781)
Endowment net assets, end of year	\$ 7,404,493	\$ 24,510,655	\$ 19,867,049	\$ 51,782,197

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at August 31, 2018 and 2017, consisted of:

	2018	2017
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 19,867,049	\$ 19,867,049
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time restriction under SPMIFA without purpose restrictions	\$ 24,392,577	\$ 23,348,871
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time and purpose restriction under SPMIFA	1,462,827	1,161,784
	\$ 25,855,404	\$ 24,510,655

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. No deficiencies existed at August 31, 2018 or 2017.

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Notes to Consolidated Financial Statements**  
**August 31, 2018 and 2017**

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 5% 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 8% 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.

In December 2015, the Foundation received an endowment grant of \$7,500,000 from the Lilly Endowment, Inc. Those funds are reflected in the Historic Preservation Endowment Fund within the permanently restricted net assets. The conditions attached to this grant allow the Foundation to invest and make withdrawals from the grant in a manner consistent with the Foundation's prudent management of other donor-designated endowments. As is consistent with the Foundation's spending policy, the grant fund's fair value at June 30 is used to establish allowable expenditures for the subsequent fiscal year. Should the fair value of the grant fund fall below the original grant amount, the allowable spending for the next fiscal year is limited to 2% of the grant fund balance.



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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

### 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 2018 and 2017 was \$130,141 and \$125,737, respectively.

### Note 16: Disclosures About Fair Value 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, 2018 and 2017

### 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, 2018 and 2017:

	2018				
	Fair Value	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	\$ 4,591,795	\$ 4,591,795	\$ -	\$ -	\$ -
Equity mutual funds					
Domestic	20,257,577	20,257,577	-	-	-
International	18,338,330	18,338,330	-	-	-
Fixed income mutual funds					
Domestic	8,998,239	8,998,239	-	-	-
International	3,760,179	3,760,179	-	-	-
Multi-strategy hedge fund	3,070,994	-	-	-	3,070,994
Commodity mutual funds	3,169,679	3,169,679	-	-	-
	<u>62,186,793</u>	<u>59,115,799</u>	-	-	3,070,994
Cash and cash equivalents - money market funds	1,365,897	1,365,897	-	-	-
Beneficial interest in assets held by CICF	249,388	-	-	249,388	-
	<u>\$ 63,802,078</u>	<u>\$ 60,481,696</u>	<u>\$ -</u>	<u>\$ 249,388</u>	<u>\$ 3,070,994</u>

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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

	2017				
	Fair Value Measurements Using				
Fair Value	Quoted Prices in Active Markets for Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Inputs (Level 3)	Investments Measured at NAV <sup>(A)</sup>	
Investments					
Domestic equity securities	\$ 4,773,575	\$ 4,773,575	\$ -	\$ -	\$ -
Equity mutual funds					
Domestic	17,748,137	17,748,137	-	-	-
International	13,537,665	13,537,665	-	-	-
Fixed income mutual funds					
Domestic	16,272,526	16,272,526	-	-	-
Multi-strategy mutual funds	91,739	91,739	-	-	-
Corporate hedge funds					
Long-short hedge fund	1,830,377	-	-	-	1,830,377
Multi-strategy hedge fund	1,253,122	-	-	-	1,253,122
Managed futures hedge fund	1,953,970	-	-	-	1,953,970
Commodity mutual funds	2,319,732	2,319,732	-	-	-
	<u>59,780,843</u>	<u>54,743,374</u>	<u>-</u>	<u>-</u>	<u>5,037,469</u>
Cash and cash equivalents - money market funds	1,472,290	1,472,290	-	-	-
Beneficial interest in assets held by CICF	248,048	-	-	248,048	-
	<u>\$ 61,501,181</u>	<u>\$ 56,215,664</u>	<u>\$ -</u>	<u>\$ 248,048</u>	<u>\$ 5,037,469</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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, 2018. 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, 2018 and 2017**

***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.

***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, 2016	\$ 239,359
Change in beneficial interest in assets held by CICF	<u>8,689</u>
Balance, August 31, 2017	248,048
Change in beneficial interest in assets held by CICF	<u>1,340</u>
Balance, August 31, 2018	<u><u>\$ 249,388</u></u>

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

## Notes to Consolidated Financial Statements August 31, 2018 and 2017

### **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, 2018 and 2017:

	2018			
	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 resale	\$ 504,143	\$ -	\$ -	\$ 504,143

	2017			
	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 resale	\$ 643,841	\$ -	\$ -	\$ 643,841

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, 2018 and 2017

### **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,			Unobservable	
	2018	2017	Valuation Technique	Inputs	Range
Beneficial interest in assets held by CICF	\$ 249,388	\$ 248,048	Discounted cash flow	Growth factor Discount rate	6% 6%
Real estate held for resale	504,143	643,841	Appraisals/Market comparable properties	Unknown	Unknown

### **Note 17: Commitments and Guarantees**

The Foundation makes commitments to extend credit under its Endangered Places Loan Fund program. There is \$75,000 in commitments outstanding under these programs at August 31, 2018.

### **Note 18: Contribution Concentration**

For 2017, one donor contributed approximately 31% of all contributions.

### **Note 19: Subsequent Events**

Subsequent events have been evaluated through November 19, 2018, 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, 2018**  
**(With Comparative Totals for 2017)**

	2018							2017 Total Expenses	
	Preservation Services	Marketing and Membership Services	Event Shops and Tours	Property Management and Museums	Total Program	Management and General	Fund Raising		Total Expenses
Salaries and wages	\$ 1,066,698	\$ 336,001	\$ 387,013	\$ 71,755	\$ 1,861,467	\$ 359,400	\$ 157,363	\$ 2,378,230	\$ 2,305,712
Employee benefits	309,703	103,081	107,564	3,368	523,716	87,582	53,123	664,421	603,177
Total salaries, wages and related expenses	1,376,401	439,082	494,577	75,123	2,385,183	446,982	210,486	3,042,651	2,908,889
Professional services and fees	521,425	71,704	7,549	-	600,678	78,866	46,582	726,126	484,980
Promotion and publicity	14,838	30,743	42,283	-	87,864	190	32,293	120,347	104,048
Travel, meetings and training	242,163	837	21,742	-	264,742	18,295	51,242	334,279	235,415
Utilities	36,902	-	7	140,293	177,202	3,629	-	180,831	201,530
Contributions, grants and awards	266,327	-	-	-	266,327	-	-	266,327	247,956
Maintenance	57,876	-	63,094	264,539	385,509	9,795	3,315	398,619	418,573
Supplies, dues and subscriptions	23,152	665	21,717	-	45,534	45,859	3,455	94,848	85,213
Postage	4,816	17,069	1,399	-	23,284	1,603	7,557	32,444	28,601
Rental	4,057	-	29,584	-	33,641	4,035	-	37,676	35,177
Depreciation	-	-	-	812,689	812,689	68,075	-	880,764	797,998
Cost of goods sold	-	-	125,784	-	125,784	-	-	125,784	142,843
Insurance	37,941	-	3,772	100,200	141,913	34,522	-	176,435	210,758
Miscellaneous	140,173	-	23,414	-	163,587	143,464	-	307,051	195,451
Totals, year ended August 31, 2018	<u>\$ 2,726,071</u>	<u>\$ 560,100</u>	<u>\$ 834,922</u>	<u>\$ 1,392,844</u>	<u>\$ 5,513,937</u>	<u>\$ 855,315</u>	<u>\$ 354,930</u>	<u>\$ 6,724,182</u>	
Totals, year ended August 31, 2017	<u>\$ 2,248,560</u>	<u>\$ 560,764</u>	<u>\$ 739,712</u>	<u>\$ 1,337,225</u>	<u>\$ 4,886,261</u>	<u>\$ 880,519</u>	<u>\$ 330,652</u>		<u>\$ 6,097,432</u>



**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Analysis of Functional Expenses**  
**Year Ended August 31, 2017**  
**(With Comparative Totals for 2016)**

	2017								2016 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	\$ 1,032,357	\$ 328,756	\$ 319,994	\$ 75,471	\$ 1,756,578	\$ 356,885	\$ 192,249	\$ 2,305,712	\$ 2,195,147
Employee benefits	267,753	94,974	85,791	5,117	453,635	86,615	62,927	603,177	552,226
Total salaries, wages and related expenses	1,300,110	423,730	405,785	80,588	2,210,213	443,500	255,176	2,908,889	2,747,373
Professional services and fees	282,292	83,174	7,994	-	373,460	106,547	4,973	484,980	433,333
Promotion and publicity	17,517	31,699	42,088	25	91,329	879	11,840	104,048	105,827
Travel, meetings and training	159,875	1,641	15,924	-	177,440	11,938	46,037	235,415	226,661
Utilities	34,235	-	-	163,508	197,743	3,787	-	201,530	205,279
Contributions, grants and awards	247,956	-	-	-	247,956	-	-	247,956	291,691
Maintenance	100,857	-	46,583	245,557	392,997	21,124	4,452	418,573	388,977
Supplies, dues and subscriptions	15,987	4,779	16,183	-	36,949	45,294	2,970	85,213	119,082
Postage	4,023	15,741	798	-	20,562	2,835	5,204	28,601	31,613
Rental	2,379	-	28,673	-	31,052	4,125	-	35,177	43,299
Depreciation	-	-	-	735,395	735,395	62,603	-	797,998	742,696
Cost of goods sold	-	-	142,843	-	142,843	-	-	142,843	138,864
Insurance	59,238	-	4,904	112,152	176,294	34,464	-	210,758	215,772
Miscellaneous	24,091	-	27,937	-	52,028	143,423	-	195,451	228,351
Totals, year ended August 31, 2017	<u>\$ 2,248,560</u>	<u>\$ 560,764</u>	<u>\$ 739,712</u>	<u>\$ 1,337,225</u>	<u>\$ 4,886,261</u>	<u>\$ 880,519</u>	<u>\$ 330,652</u>	<u>\$ 6,097,432</u>	
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>

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Schedule of Net Assets Detail**  
**August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Unrestricted Net Assets</b>		
General Fund	\$ 20,872,040	\$ 20,340,396
Affinity Groups	82,138	58,553
Endangered Places Fund - Marion County	436,973	441,515
Endangered Places Fund - Statewide	1,766,777	2,086,155
Indiana Landmarks Center Maintenance Fund	3,282,707	3,164,234
Kemper House Maintenance Fund	240,779	222,303
Morris-Butler House Capital Maintenance Fund	105,106	93,150
Prentice Fund (Willey Allhands)	209,544	101,287
Preservation Grants Fund	486,940	453,220
Easement Monitoring Fund	782,156	784,077
John E. Christian Family Memorial Trust, Inc.	3,746,488	3,536,387
Total unrestricted net assets	<u>32,011,648</u>	<u>31,281,277</u>
<b>Temporarily Restricted Net Assets</b>		
Calumet Regional Office	-	13,887
Endangered Places Fund	147,000	7,850
Grants for Historic Preservation Projects	584,955	563,743
Kemper House Maintenance Fund	373,876	373,876
Morris-Butler House Capital Maintenance Fund	301,064	313,794
Northern Indiana Preservation Fund	490,000	490,000
Sacred Places Indiana Fund	761,372	884,500
Sandi Servaas Memorial Fund	2,206,081	2,127,301
Veraestau Historic Site	2,197,984	2,132,488
Unappropriated permanent endowment earnings	25,855,404	24,510,655
General Fund - time restricted contributions	309,208	497,158
Total temporarily restricted net assets	<u>33,226,944</u>	<u>31,915,252</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	8,896,118	8,896,118
Historic Preservation Endowment Fund	7,500,000	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>19,867,049</u>	<u>19,867,049</u>
Total net assets	<u>\$ 85,105,641</u>	<u>\$ 83,063,578</u>