

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

Independent Auditor's Report and Consolidated Financial Statements
August 31, 2019 and 2018

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
August 31, 2019 and 2018

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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 (Indiana Landmarks), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses 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 consolidated financial position of Indiana Landmarks as of August 31, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, in 2019, Indiana Landmarks adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of net assets details as listed in the table of contents is presented for purposes of additional analysis and is 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 22, 2019

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Financial Position
August 31, 2019 and 2018

Assets

	2019	2018
Cash and cash equivalents	\$ 2,202,372	\$ 2,119,908
Contributions receivable, net of allowance for loss, 2019 - \$105,700	651,142	130,178
Prepaid expenses and other receivables	170,308	188,330
Real estate held for renovation, restoration and resale	1,510,270	1,654,745
Notes receivable, net of allowance for loss, 2019 and 2018 - \$125,000	396,855	460,595
Investments	60,988,894	62,186,793
Property and equipment	19,880,959	18,743,896
Property held under operating lease	1,887,011	2,038,430
Beneficial interest in assets held by CICF	242,228	249,388
Total assets	\$ 87,930,039	\$ 87,772,263

Liabilities

Accounts payable and accrued expenses	\$ 388,012	\$ 485,895
Note payable	1,781,887	1,983,848
Annuities payable	17,849	17,849
Deferred revenue - life estates	172,340	179,030
Total liabilities	2,360,088	2,666,622

Net Assets

Without donor restrictions	32,260,884	32,011,648
With donor restrictions	53,309,067	53,093,993
Total net assets	85,569,951	85,105,641
Total liabilities and net assets	\$ 87,930,039	\$ 87,772,263

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Activities
Years Ended August 31, 2019 and 2018

	Without Donor Restrictions	2019 With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions	\$ 2,420,100	\$ 786,259	\$ 3,206,359
Federal grants	-	-	-
Other grants	26,000	884,000	910,000
Membership dues	139,755	-	139,755
Tour income	219,177	-	219,177
Consulting, ticket sales and other	526,286	-	526,286
Rents	377,450	-	377,450
Investment return designated for current operations	2,581,615	165,756	2,747,371
Net gain (loss) on sale and write-down of real estate	(150,725)	-	(150,725)
	<u>6,139,658</u>	<u>1,836,015</u>	<u>7,975,673</u>
Net assets released from restrictions	1,620,941	(1,620,941)	-
Total revenue, gains and other support	<u>7,760,599</u>	<u>215,074</u>	<u>7,975,673</u>
Expenses			
Program services			
Preservation services	2,611,417	-	2,611,417
Marketing and membership services	472,213	-	472,213
Events, shops and tours	838,022	-	838,022
Property management and museums	1,459,070	-	1,459,070
Total program services	<u>5,380,722</u>	<u>-</u>	<u>5,380,722</u>
Management and general	836,306	-	836,306
Fund raising	371,697	-	371,697
Total expenses	<u>6,588,725</u>	<u>-</u>	<u>6,588,725</u>
Change in Net Assets Before Other Changes	1,171,874	215,074	1,386,948
Other Changes			
Change in beneficial interest in assets held by CICF	(7,160)	-	(7,160)
Investment return in excess of (less than) amounts designated for current operations	(915,478)	-	(915,478)
Change in Net Assets	249,236	215,074	464,310
Net Assets, Beginning of Year	<u>32,011,648</u>	<u>53,093,993</u>	<u>85,105,641</u>
Net Assets, End of Year	<u>\$ 32,260,884</u>	<u>\$ 53,309,067</u>	<u>\$ 85,569,951</u>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 925,254	\$ 583,916	\$ 1,509,170
6,000	-	6,000
40,000	-	40,000
158,920	-	158,920
204,767	-	204,767
515,350	-	515,350
418,812	-	418,812
2,495,866	148,412	2,644,278
1,144,872	-	1,144,872
<u>5,909,841</u>	<u>732,328</u>	<u>6,642,169</u>
966,361	(966,361)	-
<u>6,876,202</u>	<u>(234,033)</u>	<u>6,642,169</u>
2,726,071	-	2,726,071
560,100	-	560,100
834,922	-	834,922
1,392,844	-	1,392,844
<u>5,513,937</u>	<u>-</u>	<u>5,513,937</u>
855,315	-	855,315
354,930	-	354,930
<u>6,724,182</u>	<u>-</u>	<u>6,724,182</u>
152,020	(234,033)	(82,013)
1,340	-	1,340
<u>577,011</u>	<u>1,545,725</u>	<u>2,122,736</u>
730,371	1,311,692	2,042,063
<u>31,281,277</u>	<u>51,782,301</u>	<u>83,063,578</u>
<u>\$ 32,011,648</u>	<u>\$ 53,093,993</u>	<u>\$ 85,105,641</u>

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

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2019**

	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	\$ 1,065,788	\$ 279,311	\$ 443,446	\$ 73,120	\$ 1,861,665	\$ 355,948	\$ 166,281	\$ 2,383,894
Employee benefits	293,178	86,526	99,850	805	480,359	108,752	48,520	637,631
Total salaries, wages and related expenses	1,358,966	365,837	543,296	73,925	2,342,024	464,700	214,801	3,021,525
Professional services and fees	342,783	59,212	7,746	26,100	435,841	84,595	60,653	581,089
Promotion and publicity	10,125	24,770	30,357	618	65,870	601	18,140	84,611
Travel, meetings and training	228,361	382	18,972	69	247,784	11,988	66,088	325,860
Utilities	41,609	-	4	152,016	193,629	4,501	-	198,130
Contributions, grants and awards	501,148	-	-	-	501,148	-	-	501,148
Maintenance	54,354	-	59,192	243,016	356,562	3,121	531	360,214
Supplies, dues and subscriptions	21,105	3,320	7,885	9	32,319	36,271	1,836	70,426
Postage	4,371	18,680	722	-	23,773	1,179	9,648	34,600
Rental	7,554	-	27,954	-	35,508	1,382	-	36,890
Depreciation	-	-	-	844,218	844,218	69,975	-	914,193
Cost of goods sold	-	-	112,228	-	112,228	-	-	112,228
Insurance	23,841	-	3,772	115,303	142,916	32,163	-	175,079
Miscellaneous	17,200	12	25,894	3,796	46,902	125,830	-	172,732
Totals	\$ 2,611,417	\$ 472,213	\$ 838,022	\$ 1,459,070	\$ 5,380,722	\$ 836,306	\$ 371,697	\$ 6,588,725

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

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2018**

	<u>Program Services</u>				<u>Total Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
	<u>Preservation Services</u>	<u>Marketing and Membership Services</u>	<u>Event Shops and Tours</u>	<u>Property Management and Museums</u>				
Salaries and wages	\$ 1,066,698	\$ 336,001	\$ 387,013	\$ 71,755	\$ 1,861,467	\$ 359,400	\$ 157,363	\$ 2,378,230
Employee benefits	309,703	103,081	107,564	3,368	523,716	87,582	53,123	664,421
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
Professional services and fees	521,425	71,704	7,549	-	600,678	78,866	46,582	726,126
Promotion and publicity	14,838	30,743	42,283	-	87,864	190	32,293	120,347
Travel, meetings and training	242,163	837	21,742	-	264,742	18,295	51,242	334,279
Utilities	36,902	-	7	140,293	177,202	3,629	-	180,831
Contributions, grants and awards	266,327	-	-	-	266,327	-	-	266,327
Maintenance	57,876	-	63,094	264,539	385,509	9,795	3,315	398,619
Supplies, dues and subscriptions	23,152	665	21,717	-	45,534	45,859	3,455	94,848
Postage	4,816	17,069	1,399	-	23,284	1,603	7,557	32,444
Rental	4,057	-	29,584	-	33,641	4,035	-	37,676
Depreciation	-	-	-	812,689	812,689	68,075	-	880,764
Cost of goods sold	-	-	125,784	-	125,784	-	-	125,784
Insurance	37,941	-	3,772	100,200	141,913	34,522	-	176,435
Miscellaneous	140,173	-	23,414	-	163,587	143,464	-	307,051
Totals	<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>

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 464,310	\$ 2,042,063
Items not requiring (providing) cash		
Depreciation	914,193	880,764
Realized and unrealized gains on investments	(765,129)	(3,817,328)
Write-downs and losses on real estate held for renovation, restoration and resale	150,725	145,513
Provision for uncollectible notes receivable	-	105,000
Change in beneficial interest in assets held by CICF	7,160	(1,340)
Donated property	(1,200,000)	-
Changes in		
Contributions receivable	(520,964)	206,603
Prepaid expenses and other assets	18,022	(1,529)
Real estate held for renovation, restoration and resale	(6,250)	228,616
Accounts and annuities payable and other liabilities	(158,687)	79,035
Net cash used in operating activities	<u>(1,096,620)</u>	<u>(132,603)</u>
Investing Activities		
Purchase of investments	(9,316,827)	(44,207,624)
Sales and maturities of investments	11,279,855	45,619,002
Principal payments received on notes receivable	223,740	75,000
Advances on notes receivable	(160,000)	(207,000)
Purchase of property and equipment	(758,024)	(489,570)
Proceeds from sale of property and equipment	112,301	171,958
Net cash provided by investing activities	<u>1,381,045</u>	<u>961,766</u>
Financing Activity - principal payments on notes payable	<u>(201,961)</u>	<u>(528,040)</u>
Net Increase in Cash and Cash Equivalents	82,464	301,123
Cash and Cash Equivalents, Beginning of Year	<u>2,119,908</u>	<u>1,818,785</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,202,372</u>	<u>\$ 2,119,908</u>
Supplemental Cash Flows Information		
Property and equipment included in payables at year end	\$ 54,114	\$ -

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

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, New Albany, 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, 2019, cash equivalents consisted of money market accounts.

The balance in excess of the insured amount was approximately \$1,460,000 at August 31, 2019.

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, 2019 and 2018

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 net assets without donor restriction. Other investment return is reflected in the consolidated statements of activities as without donor restrictions or with donor restrictions 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 structures and collections are reported as property held for permanent use and demonstration and are not depreciated.

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

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

	Years
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, 2019 and 2018, the Foundation recognized lease income of \$133,135 and \$164,246, 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:

	2019	2018
Land improvements	\$ 70,380	\$ 70,380
Buildings and fixtures	2,195,179	2,195,179
	2,265,559	2,265,559
Accumulated depreciation	(378,548)	(227,129)
	\$ 1,887,011	\$ 2,038,430

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, 2019 and 2018.

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

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, 2019.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose. A portion of net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 without donor restrictions.

Gifts of land, buildings and equipment are reported as without donor restriction 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 with donor restriction 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.

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

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 \$1,337,162 and \$87,880 were recorded for the years ended August 31, 2019 and 2018, respectively.

Expense Allocation

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. 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: Change in Accounting Principle

In 2019, the Foundation adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the consolidated statement of financial position.
- Amounts and purposes of Board of Directors designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

Note 3: Contributions Receivable

	2019	2018
Due within one year	\$ 344,437	\$ 110,178
Due in one to five years	429,932	20,000
	774,369	130,178
Less:		
Allowance for uncollectible contributions	(105,700)	-
Unamortized discount	(17,527)	-
	\$ 651,142	\$ 130,178

Contributions receivable are assets with donor restrictions within the consolidated financial statements. Once collected, use is not restricted, and the funds are released from restriction within the consolidated financial statements.

Note 4: 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:

	2019			
Beginning Balance	Additions/ Transfers	Disposals/ Transfers/ Write-Down	Ending Balance	
General Fund	\$ 599,695	\$ -	\$ -	\$ 599,695
Endangered Places Fund - Marion County	174,560	41,400	(73,030)	142,930
Endangered Places Fund - Statewide	390,490	250,234	(363,079)	277,645
Northern Indiana Preservation Fund	490,000	-	-	490,000
	\$ 1,654,745	\$ 291,634	\$ (436,109)	\$ 1,510,270

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

	2018			
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers/ Write-Down	Ending Balance
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
	\$ 2,028,874	\$ 518,667	\$ (892,796)	\$ 1,654,745

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 \$189,560 in 2019 and \$115,963 in 2018. 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.

Note 5: 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 balance of \$125,000 at August 31, 2019 and 2018, due to economic conditions affecting the Foundation's collateral. The average balance of impaired receivables was \$218,725 and \$108,095 during 2019 and 2018, and the outstanding balances at August 31, 2019 and 2018 were \$206,855 and \$145,595, respectively.

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

Note 6: Investments

The Foundation's investments are as follows:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Domestic equity securities	\$ 4,301,569	\$ 3,205,002	\$ 4,591,795	\$ 3,639,493
Equity mutual funds				
Domestic	20,067,669	13,115,748	20,257,577	13,277,735
International	17,410,352	17,540,718	18,338,330	17,841,225
Fixed income mutual funds				
Domestic	11,108,566	10,512,917	8,998,239	9,137,061
International	2,064,982	2,045,598	3,760,179	3,919,500
Corporate hedge funds				
Multi-strategy hedge fund	3,191,752	3,015,271	3,070,994	3,017,979
Commodity mutual funds	2,844,004	2,848,772	3,169,679	3,053,748
	<u>\$ 60,988,894</u>	<u>\$ 52,284,026</u>	<u>\$ 62,186,793</u>	<u>\$ 53,886,741</u>

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

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

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Dividends and interest	\$ 970,240	\$ 96,524	\$ 1,066,764
Net realized and unrealized gains	695,897	69,232	765,129
Total gain on investments	1,666,137	165,756	1,831,893
Investment return designated for operations	2,581,615	165,756	2,747,371
Investment return less than amounts designated for operations	<u>\$ (915,478)</u>	<u>\$ -</u>	<u>\$ (915,478)</u>

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

	Without Donor Restrictions	2018 With Donor Restrictions	Total
Dividends and interest	\$ 591,947	\$ 357,739	\$ 949,686
Net realized and unrealized gains	2,480,930	1,336,398	3,817,328
Total gain on investments	3,072,877	1,694,137	4,767,014
Investment return designated for operations	2,495,866	148,412	2,644,278
Investment return in excess of amounts designated for operations	\$ 577,011	\$ 1,545,725	\$ 2,122,736

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:

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge fund (A)	\$ 3,191,752	\$ -	Annually	45-105 days
	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge fund (A)	3,070,994	-	Annually	45-105 days

- (A) This category includes investment in a hedge fund at August 31, 2019 and 2018 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.

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

Note 7: Property and Equipment

The Foundation's property and equipment is as follows:

	2019	2018
Land improvements	\$ 1,379,072	\$ 1,192,178
Buildings and fixtures	18,887,557	17,959,738
Furniture	566,034	577,634
Equipment, including computers	497,658	494,655
	21,330,321	20,224,205
Accumulated depreciation	(6,631,883)	(5,896,707)
	14,698,438	14,327,498
Land	600,087	600,087
Construction in process	-	434,417
Property held for permanent use and demonstration	4,510,997	3,310,997
Inventory on hand	71,437	70,897
	\$ 19,880,959	\$ 18,743,896

Note 8: 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, 2019 and 2018

Note 9: Note Payable

The Foundation's note payable consists of the following:

	2019	2018
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	<u>\$ 1,781,887</u>	<u>\$ 1,983,848</u>

Annual maturities of the note payable at August 31, 2019 are:

2020	\$ 211,857
2021	221,039
2022	230,618
2023	240,612
2024	251,040
Thereafter	626,721
	\$ 1,781,887

Interest expense recognized and paid during 2019 and 2018 was \$125,931 and \$143,464, respectively.

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, 2019 and 2018 of \$17,849, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 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, 2019 and 2018 of \$172,340 and \$179,030, 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, 2019 and 2018

Note 12: Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
Preservation Service Program Activities		
Designated grants	\$ 1,722,336	\$ 1,346,327
Awards	2,170,092	2,206,081
Endangered Properties Program	121,579	147,000
Maintenance of Kemper House	373,876	373,876
Maintenance of Morris Butler House	301,064	301,064
Veraestau Historic Site	2,165,115	2,197,984
	6,854,062	6,572,332
Subject to the passage of time:		
For periods after August 31, 2019 and 2018	1,313,482	799,208
Endowments:		
Accumulated investment earnings, subject to appropriation and expenditures when a specified event occurs		
Restricted by donors for:		
Any activity of the organization	23,962,120	24,392,576
Endangered Places Grant	94,831	111,443
Montgomery County Projects	3,910	5,547
Maintenance of the Indiana Landmarks Center	498,853	551,944
Support of regional offices	714,760	793,894
Total	25,274,474	25,855,404
Property and equipment to be held in perpetuity:		
Property to be used as historic house museum and preservation center	1,867,000	1,867,000
Amounts to be held in perpetuity, income restricted by donors for the following purposes:		
Endangered Places Program Director	500,000	500,000
Endangered Places grants	1,000,000	1,000,000
Montgomery County projects	103,931	103,931
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
	18,000,049	18,000,049
Total endowments	45,141,523	45,722,453
	\$ 53,309,067	\$ 53,093,993

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

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.

	2019	2018
Satisfaction of purpose restrictions		
Preservation services program expenses	\$ 1,033,321	\$ 778,411
Endowment appropriation in excess of current year earnings	580,930	-
Satisfaction of time restriction	6,690	187,950
Total net assets released from restriction	\$ 1,620,941	\$ 966,361

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 net assets with donor restrictions (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 net assets with donor restriction 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, 2019 and 2018

The composition of net assets by type of endowment fund at August 31, 2019 and 2018 was:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 45,141,523	\$ 45,141,523
Board-designated endowment funds	7,075,935	-	7,075,935
Total endowment funds	\$ 7,075,935	\$ 45,141,523	\$ 52,217,458

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 45,722,453	\$ 45,722,453
Board-designated endowment funds	7,393,120	-	7,393,120
Total endowment funds	\$ 7,393,120	\$ 45,722,453	\$ 53,115,573

Changes in endowment net assets for the years ended August 31, 2019 and 2018 were:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,393,120	\$ 45,722,453	\$ 53,115,573
Investment return	1,796,924	-	1,796,924
Contributions	271,443	-	271,443
Appropriation of endowment assets for expenditure and actual expenditures	(1,997,196)	(580,930)	(2,578,126)
Other changes	(388,356)	-	(388,356)
Endowment net assets, end of year	\$ 7,075,935	\$ 45,141,523	\$ 52,217,458

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,404,493	\$ 44,377,704	\$ 51,782,197
Investment return	2,721,000	1,344,749	4,065,749
Contributions	327,936	-	327,936
Appropriation of endowment assets for expenditure and actual expenditures	(2,682,520)	-	(2,682,520)
Other changes	(377,789)	-	(377,789)
Endowment net assets, end of year	\$ 7,393,120	\$ 45,722,453	\$ 53,115,573

Amounts of donor-restricted endowment funds classified as net assets with donor restriction at August 31, 2019 and 2018, consisted of:

	2019	2018
Net assets with donor restrictions - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 19,867,049	\$ 19,867,049
Net assets with donor restrictions - portion of perpetual endowment funds subject to a time restriction under SPMIFA without purpose restrictions	\$ 23,962,120	\$ 24,392,576
Net assets with donor restrictions - portion of perpetual endowment funds subject to a time and purpose restriction under SPMIFA	1,312,354	1,462,828
	\$ 25,274,474	\$ 25,855,404

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, 2019 or 2018.

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.

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Notes to Consolidated Financial Statements August 31, 2019 and 2018

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 4.9% for 2019 (5.0% for 2018) 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 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 net assets with donor restrictions. 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.

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 contributions for 2019 and 2018 were \$133,614 and \$130,141, respectively.

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

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

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, 2019 and 2018:

	2019				
	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 Measured at NAV ^(A)	
Investments					
Domestic equity securities	\$ 4,301,569	\$ 4,301,569	\$ -	\$ -	\$ -
Equity mutual funds					
Domestic	20,067,669	20,067,669	-	-	-
International	17,410,352	17,410,352	-	-	-
Fixed income mutual funds					
Domestic	11,108,566	11,108,566	-	-	-
International	2,064,982	2,064,982	-	-	-
Multi-strategy hedge fund	3,191,752	-	-	-	3,191,752
Commodity mutual funds	2,844,004	2,844,004	-	-	-
	<u>60,988,894</u>	<u>57,797,142</u>	<u>-</u>	<u>-</u>	<u>3,191,752</u>
Cash and cash equivalents - money market funds	848,192	848,192	-	-	-
Beneficial interest in assets held by CICF	242,228	-	-	242,228	-
	<u>\$ 62,079,314</u>	<u>\$ 58,645,334</u>	<u>\$ -</u>	<u>\$ 242,228</u>	<u>\$ 3,191,752</u>

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

	2018				
	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 ^(A)	
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 mutual funds	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>	<u>-</u>	<u>-</u>	<u>3,070,994</u>
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>

(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 consolidated 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, 2019. 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.

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Notes to Consolidated Financial Statements August 31, 2019 and 2018

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:

	Beneficial Interest in Assets Held by CICF
Balance, September 1, 2017	\$ 248,048
Change in beneficial interest in assets held by CICF	<u>1,340</u>
Balance, August 31, 2018	249,388
Change in beneficial interest in assets held by CICF	<u>(7,160)</u>
Balance, August 31, 2019	<u><u>\$ 242,228</u></u>

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

Notes to Consolidated Financial Statements August 31, 2019 and 2018

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, 2019 and 2018:

	2019			
	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	\$ 440,818	\$ -	\$ -	\$ 440,818

	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

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.

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Notes to Consolidated Financial Statements August 31, 2019 and 2018

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
	2019	2018			
Beneficial interest in assets held by CICF	\$ 242,228	\$ 249,388	Discounted cash flow	Growth factor	6%
				Discount rate	6%
Real estate held for resale	440,818	504,143	Appraisals/Market comparable properties	Unknown	Unknown

Note 17: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2019 comprise the following:

	<u>2019</u>
Cash and cash equivalents	\$ 2,202,372
Contributions receivable, current portion	344,437
Notes receivable, current portion	161,855
Investments	60,988,894
Total liquid financial assets	<u>63,697,558</u>
Donor-imposed restrictions	
Restricted funds	6,854,062
Endowments	45,141,523
Total donor-imposed restrictions	<u>51,995,585</u>
Board-designated endowment funds	<u>7,075,935</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,626,038</u>

The Foundation's endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

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Notes to Consolidated Financial Statements August 31, 2019 and 2018

The Foundation manages its liquidity by establishing and operating within approved budgets. The Foundation has a spending rate of 4.9% of board-designated endowment funds and donor-restricted endowment funds without a specified purpose. The Foundation has appropriated \$2.7 million from the board-designated endowment available to be spent within the next 12 months for general operating expenses.

Although the Foundation does not intend to spend from its \$7.1 million board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Foundation's investment policy specifies that 80% of endowment funds are to be invested in assets which can be liquidated within a calendar quarter. Currently, 95% of invested funds can be liquidated on a daily basis and the remaining 5% can be liquidated on a semi-annual basis. During the year ended August 31, 2019, the level of liquidity reserves was managed within the policy requirements.

Note 18: Commitments and Guarantees

The Foundation makes commitments to extend credit under its Endangered Places Loan Fund program. There is \$169,000 in commitments outstanding under these programs at August 31, 2019.

Note 19: Concentrations

For 2019, one donor contributed approximately 44% of all contributions. In addition, approximately 88% of all grants were received from one grantor. There were no concentrations for contributions or grants in 2018.

Note 20: Subsequent Events

Subsequent events have been evaluated through November 22, 2019, 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
Schedule of Net Assets Detail
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
General Fund	\$ 20,004,080	\$ 20,872,040
Affinity Groups	100,878	82,138
Endangered Places Fund	2,152,558	2,203,750
Indiana Landmarks Center Maintenance Fund	3,254,389	3,282,707
Kemper House Maintenance Fund	231,595	240,779
Morris-Butler House Capital Maintenance Fund	118,692	105,106
Prentice Fund (Willey Allhands)	-	209,544
Preservation Grants Fund	485,620	486,940
Easement Monitoring Fund	732,202	782,156
John E. Christian Family Memorial Trust, Inc.	5,180,870	3,746,488
Total net assets without donor restrictions	<u>32,260,884</u>	<u>32,011,648</u>
Net Assets With Donor Restrictions		
Endangered Places Fund	121,579	147,000
Grants for Historic Preservation Projects	257,643	584,955
Kemper House Maintenance Fund	373,876	373,876
Morris-Butler House Capital Maintenance Fund	301,064	301,064
Northern Indiana Preservation Fund	490,000	490,000
Sacred Places Indiana Fund	1,464,693	761,372
Sandi Servaas Memorial Fund	2,170,092	2,206,081
Unappropriated permanent endowment earnings	25,274,474	25,855,404
General Fund - time restricted contributions	823,482	309,208
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	4,032,115	4,064,984
Total net assets with donor restrictions	<u>53,309,067</u>	<u>53,093,993</u>
Total net assets	<u>\$ 85,569,951</u>	<u>\$ 85,105,641</u>