

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

Independent Auditor's Report and Consolidated Financial Statements  
August 31, 2020 and 2019

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**August 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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. 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 19, 2020

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Statements of Financial Position**  
**August 31, 2020 and 2019**

**Assets**

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 1,034,001	\$ 2,202,372
Contributions receivable, net of allowance for loss, 2020 - \$114,200; 2019 - \$105,700	484,536	651,142
Prepaid expenses and other receivables	124,310	170,308
Real estate held for renovation, restoration and resale	1,741,192	1,510,270
Notes receivable, net of allowance for loss, 2020 and 2019 - \$125,000	409,000	396,855
Investments	68,021,518	60,988,894
Property and equipment	19,152,766	19,880,959
Property held under operating lease	1,735,592	1,887,011
Beneficial interest in assets held by CICF	228,124	242,228
	\$ 92,931,039	\$ 87,930,039

**Liabilities**

Accounts payable and accrued expenses	\$ 370,181	\$ 388,012
Note payable	1,571,251	1,781,887
Annuities payable	17,045	17,849
Deferred revenue - life estates	165,288	172,340
Total liabilities	2,123,765	2,360,088

**Net Assets**

Without donor restrictions	33,258,655	32,260,884
With donor restrictions	57,548,619	53,309,067
Total net assets	90,807,274	85,569,951
Total liabilities and net assets	\$ 92,931,039	\$ 87,930,039

**Historic Landmarks Foundation of Indiana, Inc.**  
**d/b/a Indiana Landmarks**  
**Consolidated Statements of Activities**  
**Years Ended August 31, 2020 and 2019**

	Without Donor Restrictions	2020 With Donor Restrictions	Total
<b>Revenue, Gains and Other Support</b>			
Contributions	\$ 1,352,580	\$ 63,102	\$ 1,415,682
Federal grants	400,200	-	400,200
Other grants	110,000	60,000	170,000
Membership dues	116,695	-	116,695
Tour income	111,604	-	111,604
Consulting, ticket sales and other	311,295	-	311,295
Rents	241,829	-	241,829
Investment return designated for current operations	2,606,176	179,193	2,785,369
Net loss on sale and write-down of real estate	(244,464)	-	(244,464)
	<u>5,005,915</u>	<u>302,295</u>	<u>5,308,210</u>
Net assets released from restrictions	951,307	(951,307)	-
Total revenue, gains and other support	<u>5,957,222</u>	<u>(649,012)</u>	<u>5,308,210</u>
<b>Expenses</b>			
Program services			
Preservation services	2,301,639	-	2,301,639
Marketing and membership services	417,757	-	417,757
Events, shops and tours	736,600	-	736,600
Property management and museums	1,420,969	-	1,420,969
Total program services	<u>4,876,965</u>	<u>-</u>	<u>4,876,965</u>
Management and general	875,054	-	875,054
Fund raising	311,844	-	311,844
Total expenses	<u>6,063,863</u>	<u>-</u>	<u>6,063,863</u>
<b>Change in Net Assets Before Other Changes</b>	(106,641)	(649,012)	(755,653)
<b>Other Changes</b>			
Change in beneficial interest in assets held by CICF	(14,104)	-	(14,104)
Investment return in excess of (less than) amounts designated for current operations	1,118,516	4,888,564	6,007,080
<b>Change in Net Assets</b>	997,771	4,239,552	5,237,323
<b>Net Assets, Beginning of Year</b>	<u>32,260,884</u>	<u>53,309,067</u>	<u>85,569,951</u>
<b>Net Assets, End of Year</b>	<u>\$ 33,258,655</u>	<u>\$ 57,548,619</u>	<u>\$ 90,807,274</u>

	<b>2019</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		<b>Total</b>
\$ 2,420,100	\$ 786,259	\$	3,206,359
-	-		-
26,000	884,000		910,000
139,755	-		139,755
219,177	-		219,177
526,286	-		526,286
377,450	-		377,450
2,581,615	165,756		2,747,371
(150,725)	-		(150,725)
<u>6,139,658</u>	<u>1,836,015</u>		<u>7,975,673</u>
<u>1,620,941</u>	<u>(1,620,941)</u>		<u>-</u>
<u>7,760,599</u>	<u>215,074</u>		<u>7,975,673</u>
2,611,417	-		2,611,417
472,213	-		472,213
838,022	-		838,022
<u>1,459,070</u>	<u>-</u>		<u>1,459,070</u>
5,380,722	-		5,380,722
836,306	-		836,306
371,697	-		371,697
<u>6,588,725</u>	<u>-</u>		<u>6,588,725</u>
1,171,874	215,074		1,386,948
(7,160)	-		(7,160)
<u>(915,478)</u>	<u>-</u>		<u>(915,478)</u>
249,236	215,074		464,310
<u>32,011,648</u>	<u>53,093,993</u>		<u>85,105,641</u>
<u>\$ 32,260,884</u>	<u>\$ 53,309,067</u>	<u>\$</u>	<u>85,569,951</u>

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

**Consolidated Statement of Functional Expenses  
Year Ended August 31, 2020**

	<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	\$ 1,068,258	\$ 247,024	\$ 423,947	\$ 73,253	\$ 1,812,482	\$ 393,933	\$ 172,502	\$ 2,378,917
Employee benefits	284,722	82,711	99,895	1,013	468,341	105,679	50,979	624,999
Total salaries, wages and related expenses	1,352,980	329,735	523,842	74,266	2,280,823	499,612	223,481	3,003,916
Professional services and fees	328,995	30,599	5,925	6,100	371,619	85,116	50,270	507,005
Promotion and publicity	33,276	29,783	20,886	553	84,498	816	10,297	95,611
Travel, meetings and training	93,210	1,395	8,960	-	103,565	6,953	21,128	131,646
Utilities	36,364	-	4	148,424	184,792	5,120	-	189,912
Contributions, grants and awards	231,982	-	-	-	231,982	-	-	231,982
Maintenance	159,505	-	44,587	226,999	431,091	3,300	-	434,391
Supplies, dues and subscriptions	19,191	7,047	10,017	-	36,255	43,226	1,716	81,197
Postage	5,820	19,198	393	-	25,411	3,686	4,952	34,049
Rental	1,948	-	24,360	-	26,308	485	-	26,793
Depreciation	-	-	-	842,037	842,037	68,625	-	910,662
Cost of goods sold	-	-	78,873	-	78,873	-	-	78,873
Insurance	21,474	-	3,972	118,794	144,240	39,844	-	184,084
Miscellaneous	16,894	-	14,781	3,796	35,471	118,271	-	153,742
Totals	<u>\$ 2,301,639</u>	<u>\$ 417,757</u>	<u>\$ 736,600</u>	<u>\$ 1,420,969</u>	<u>\$ 4,876,965</u>	<u>\$ 875,054</u>	<u>\$ 311,844</u>	<u>\$ 6,063,863</u>



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

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

	<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	\$ 1,065,788	\$ 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
<b>Totals</b>	<u>\$ 2,611,417</u>	<u>\$ 472,213</u>	<u>\$ 838,022</u>	<u>\$ 1,459,070</u>	<u>\$ 5,380,722</u>	<u>\$ 836,306</u>	<u>\$ 371,697</u>	<u>\$ 6,588,725</u>

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

## Consolidated Statements of Cash Flows Years Ended August 31, 2020 and 2019

	2020	2019
<b>Operating Activities</b>		
Change in net assets	\$ 5,237,323	\$ 464,310
Items not requiring (providing) cash		
Depreciation	910,662	914,193
Realized and unrealized gains on investments	(7,709,068)	(765,129)
Write-downs and losses on real estate held for renovation, restoration and resale	244,464	150,725
Change in beneficial interest in assets held by CICF	14,104	7,160
Donated property	-	(1,200,000)
Changes in		
Contributions receivable	166,606	(520,964)
Prepaid expenses and other assets	45,998	18,022
Real estate held for renovation, restoration and resale	(475,386)	(6,250)
Accounts and annuities payable and other liabilities	(21,971)	(158,687)
Net cash used in operating activities	(1,587,268)	(1,096,620)
<b>Investing Activities</b>		
Purchase of investments	(8,169,328)	(9,316,827)
Sales and maturities of investments	8,845,772	11,279,855
Principal payments received on notes receivable	251,855	223,740
Advances on notes receivable	(264,000)	(160,000)
Purchase of property and equipment	(113,647)	(758,024)
Proceeds from sale of property and equipment	78,881	112,301
Net cash provided by investing activities	629,533	1,381,045
<b>Financing Activity</b> - principal payments on notes payable	(210,636)	(201,961)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,168,371)	82,464
<b>Cash and Cash Equivalents, Beginning of Year</b>	2,202,372	2,119,908
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,034,001	\$ 2,202,372
<b>Supplemental Cash Flows Information</b>		
Property and equipment included in payables at year end	\$ 50,398	\$ 54,114

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### 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, 2020, cash equivalents consisted of money market accounts.

The balance in excess of the insured amount was approximately \$390,000 at August 31, 2020.

#### ***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, 2020 and 2019**

### ***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, 2020 and 2019

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, 2020 and 2019, the Foundation recognized lease income of \$105,273 and \$133,135, 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:

	2020	2019
Land improvements	\$ 70,380	\$ 70,380
Buildings and fixtures	2,195,179	2,195,179
	2,265,559	2,265,559
Accumulated depreciation	(529,967)	(378,548)
	\$ 1,735,592	\$ 1,887,011

### ***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, 2020 and 2019.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### **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, 2020.

### **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**

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

When a donor 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

### ***Paycheck Protection Program (PPP) Loan***

The Foundation received a PPP loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The entity recognized the full amount of the PPP loan of \$398,100 as a federal grant in the year ended August 31, 2020.

### ***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 \$58,282 and \$1,337,162 were recorded for the years ended August 31, 2020 and 2019, 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.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### Note 2: Changes in Accounting Principles

On September 1, 2019, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers at September 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

The amount to which the Foundation expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. The Foundation's adoption did not result in a change to the timing of revenue recognition.

In 2020, the Foundation also adopted the accounting guidance within ASU 2018-08, *Not-for-Profit Entities: Topic 958 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance on determining whether a transaction is a contribution or an exchange transaction. The Foundation adopted this guidance on a modified prospective basis, which resulted in no material changes within the consolidated financial statements.

### Note 3: Revenue From Contracts With Customers

#### ***Tour Revenue***

The Foundation offers guided tours of various historic sites across Indiana. Tickets for these tours are purchased in advance and the Foundation recognizes revenue at the point in time when the tour is conducted.

#### ***Membership Revenue***

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Foundation expects to be entitled in exchange for providing membership benefits. Membership benefits primarily include member discounts, exclusive member tours and events, and preservation experts and resources. These amounts are due from members and does not include variable consideration. Any discounts available are realized at the time of sale. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. All memberships last one calendar year.



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

## **Notes to Consolidated Financial Statements August 31, 2020 and 2019**

### ***Consulting Revenue***

The Foundation has consulting contracts with cities relating to historic preservation tasks. The performance obligations are determined based on the nature of the services provided by the Foundation in accordance with the contract. This revenue is recognized evenly over the length of the contract.

### ***Tickets, Gift Shop, and Other Revenue***

Revenue is measured as the amount of consideration the Foundation expects to receive in exchange for transferring distinct goods or providing services to customers. Tickets for various events are purchased ahead of time and revenue is recognized at the time of the event the ticket relates to. Gift shop sales are recognized and paid for at the time of purchase.

### ***Transaction Price and Recognition***

The Foundation determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Foundation's policy and implicit price concessions provided to customers. The Foundation determines its estimates of explicit price concessions based on its discount policies. Any available discounts are taken at the time of sale. The Foundation determines its estimate of implicit price concessions based on its historical collection experience with this class of customers. At August 31, 2020 and 2019, contract assets totaled \$25,898 and \$75,232, respectively.

From time to time, the Foundation will receive overpayments of customer balances resulting in amounts owed back to either the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The Foundation has not incurred material refunds in the past and, accordingly, has not provided for a refund liability as of August 31, 2020 and 2019. The Foundation also receives payments in advance or deposits which represent contract liabilities of \$64,260 and \$66,544 at August 31, 2020 and 2019, respectively.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the years ended August 31, 2020 and 2019, no additional revenues were recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for the performance obligations satisfied in prior years.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### ***Disaggregation of Revenue***

The composition of contract revenue for the year ended August 31, 2020 is as follows:

	<b>2020</b>
Membership	\$ 116,695
Tours	111,604
Consulting	65,713
Tickets, gift shop, and other	245,582
	\$ 539,594

The timing of recognition of contract revenue for the year ended August 31, 2020 are as follows:

	<b>2020</b>
Timing of revenue and recognition	
Services transferred over time	\$ 182,408
Services transferred at a point in time	357,186
	\$ 539,594

### **Note 4: Contributions Receivable**

	<b>2020</b>	<b>2019</b>
Due within one year	\$ 196,032	\$ 344,437
Due in one to five years	436,466	429,932
	632,498	774,369
Less:		
Allowance for uncollectible contributions	(114,200)	(105,700)
Unamortized discount	(33,762)	(17,527)
	\$ 484,536	\$ 651,142

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.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### Note 5: Conditional Gifts

The entity has received a conditional gift of \$500,000 as of August 31, 2020 that is not recognized in the consolidated financial statements. The gift is a conditional promise to give upon incurring qualifying expenses.

### Note 6: 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>2020</b>			
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers/ Write-Down</b>	<b>Ending Balance</b>
General Fund	\$ 599,695	\$ 85,000	\$ (85,000)	\$ 599,695
Endangered Places Fund - Marion County	142,930	236,158	(99,199)	279,889
Endangered Places Fund - Statewide	277,645	411,037	(317,074)	371,608
Northern Indiana Preservation Fund	490,000	-	-	490,000
	<u>\$ 1,510,270</u>	<u>\$ 732,195</u>	<u>\$ (501,273)</u>	<u>\$ 1,741,192</u>
	<b>2019</b>			
	<b>Beginning Balance</b>	<b>Additions/ Transfers</b>	<b>Disposals/ Transfers/ Write-Down</b>	<b>Ending Balance</b>
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
	<u>\$ 1,654,745</u>	<u>\$ 291,634</u>	<u>\$ (436,109)</u>	<u>\$ 1,510,270</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 \$142,269 in 2020 and \$189,560 in 2019. 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, 2020 and 2019

### Note 7: 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, 2020 and 2019, due to economic conditions affecting the Foundation's collateral. The average balance of impaired receivables was \$145,297 and \$218,725 during 2020 and 2019, and the outstanding balances at August 31, 2020 and 2019 were \$135,000 and \$206,855, respectively.

### Note 8: Investments

The Foundation's investments are as follows:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Domestic equity securities	\$ 5,340,670	\$ 3,812,061	\$ 4,301,569	\$ 3,205,002
Equity mutual funds				
Domestic	22,914,013	12,608,960	20,067,669	13,115,748
International	19,982,978	17,851,516	17,410,352	17,540,718
Fixed income mutual funds				
Domestic	11,471,506	10,246,896	11,108,566	10,512,917
International	2,170,864	2,108,313	2,064,982	2,045,598
Corporate hedge funds				
Multi-strategy hedge fund	3,259,841	3,015,270	3,191,752	3,015,271
Commodity mutual funds	2,881,646	2,919,695	2,844,004	2,848,772
	<u>\$ 68,021,518</u>	<u>\$ 52,562,711</u>	<u>\$ 60,988,894</u>	<u>\$ 52,284,026</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, 2020 and 2019

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

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Dividends and interest	\$ 392,400	\$ 690,981	\$ 1,083,381
Net realized and unrealized gains	3,332,292	4,376,776	7,709,068
Total gain on investments	3,724,692	5,067,757	8,792,449
Investment return designated for operations	2,606,176	179,193	2,785,369
Investment return in excess of amounts designated for operations	<u>\$ 1,118,516</u>	<u>\$ 4,888,564</u>	<u>\$ 6,007,080</u>

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

### **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:

	<b>2020</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Multi-strategy hedge fund (A)	<u>\$ 3,259,841</u>	<u>\$ -</u>	Annually	45-105 days

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

		2019		
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge fund (A)	<u>\$ 3,191,752</u>	<u>\$ -</u>	Annually	45-105 days

- (A) This category includes investment in a hedge fund at August 31, 2020 and 2019 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.

### Note 9: Property and Equipment

The Foundation's property and equipment is as follows:

	2020	2019
Land improvements	\$ 1,379,072	\$ 1,379,072
Buildings and fixtures	18,907,956	18,887,557
Furniture	566,034	566,034
Equipment, including computers	510,778	497,658
	21,363,840	21,330,321
Accumulated depreciation	(7,391,126)	(6,631,883)
	13,972,714	14,698,438
Land	600,087	600,087
Property held for permanent use and demonstration	4,510,997	4,510,997
Inventory on hand	68,968	71,437
	\$ 19,152,766	\$ 19,880,959

### Note 10: 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, 2020 and 2019**

**Note 11: Note Payable**

The Foundation's note payable consists of the following:

	<b>2020</b>	<b>2019</b>
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>\$ 1,571,251</u>	<u>\$ 1,781,887</u>

Annual maturities of the note payable at August 31, 2020 are:

2021	\$ 220,986
2022	230,563
2023	240,555
2024	250,980
2025	261,857
Thereafter	366,310
	\$ 1,571,251

Interest expense recognized and paid during 2020 and 2019 was \$117,832 and \$125,931, respectively.

**Note 12: 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, 2020 and 2019 of \$17,045 and \$17,849, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 6.9%.

**Note 13: 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, 2020 and 2019 of \$165,288 and \$172,340, 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, 2020 and 2019

### Note 14: Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose:		
Preservation Service Program Activities		
Designated grants	\$ 1,452,953	\$ 1,722,336
Awards	2,375,951	2,170,092
Endangered Properties Program	-	121,579
Maintenance of Kemper House	373,876	373,876
Maintenance of Morris Butler House	301,064	301,064
Veraestau Historic Site	2,382,847	2,165,115
	6,886,691	6,854,062
Subject to the passage of time:		
For periods after August 31, 2020 and 2019	1,107,824	1,313,482
Endowments:		
Accumulated investment earnings, subject to appropriation and expenditures when a specified event occurs		
Restricted by donors for:		
Any activity of the organization	27,377,505	23,962,120
Endangered Places Grant	204,929	94,831
Montgomery County Projects	14,755	3,910
Maintenance of the Indiana Landmarks Center	850,702	498,853
Support of regional offices	1,239,164	714,760
Total	29,687,055	25,274,474
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	49,554,104	45,141,523
	\$ 57,548,619	\$ 53,309,067



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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### Note 15: 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.

	2020	2019
Satisfaction of purpose restrictions		
Preservation services program expenses	\$ 745,649	\$ 1,033,321
Endowment appropriation in excess of current year earnings	-	580,930
Satisfaction of time restriction	205,658	6,690
Total net assets released from restriction	\$ 951,307	\$ 1,620,941

### Note 16: 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, 2020 and 2019

The composition of net assets by type of endowment fund at August 31, 2020 and 2019 was:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 49,554,104	\$ 49,554,104
Board-designated endowment funds	7,636,045	-	7,636,045
Total endowment funds	\$ 7,636,045	\$ 49,554,104	\$ 57,190,149

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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

Changes in endowment net assets for the years ended August 31, 2020 and 2019 were:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 7,075,935	\$ 45,141,523	\$ 52,217,458
Investment return	3,135,748	4,412,581	7,548,329
Contributions	207,922	-	207,922
Appropriation of endowment assets for expenditure and actual expenditures	(2,934,134)	-	(2,934,134)
Other changes	150,574	-	150,574
Endowment net assets, end of year	\$ 7,636,045	\$ 49,554,104	\$ 57,190,149

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

	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)
	\$ 7,075,935	\$ 45,141,523	\$ 52,217,458

Amounts of donor-restricted endowment funds classified as net assets with donor restriction at August 31, 2020 and 2019, consisted of:

	2020	2019
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	\$ 27,377,505	\$ 23,962,120
Net assets with donor restrictions - portion of perpetual endowment funds subject to a time and purpose restriction under SPMIFA	2,309,550	1,312,354
	\$ 29,687,055	\$ 25,274,474

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, 2020 or 2019.

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.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

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 4.8% for 2020 (4.9% for 2019) 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 17: 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 2020 and 2019 were \$128,028 and \$133,614, respectively.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### Note 18: 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, 2020 and 2019:

	2020				
	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)	Investments Measured at NAV <sup>(A)</sup>	
Investments					
Domestic equity securities	\$ 5,340,670	\$ 5,340,670	\$ -	\$ -	\$ -
Equity mutual funds					
Domestic	22,914,013	22,914,013	-	-	-
International	19,982,978	19,982,978	-	-	-
Fixed income mutual funds					
Domestic	11,471,506	11,471,506	-	-	-
International	2,170,864	2,170,864	-	-	-
Multi-strategy hedge fund	3,259,841	-	-	-	3,259,841
Commodity mutual funds	2,881,646	2,881,646	-	-	-
	<u>68,021,518</u>	<u>64,761,677</u>	-	-	<u>3,259,841</u>
Cash and cash equivalents - money market funds	202,275	202,275	-	-	-
Beneficial interest in assets held by CICF	228,124	-	-	228,124	-
	<u>\$ 68,451,917</u>	<u>\$ 64,963,952</u>	<u>\$ -</u>	<u>\$ 228,124</u>	<u>\$ 3,259,841</u>

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

	2019				
	Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)	Investments Measured at NAV <sup>(A)</sup>
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 mutual funds	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	<u>242,228</u>	<u>-</u>	<u>-</u>	<u>242,228</u>	<u>-</u>
	<u>\$ 62,079,314</u>	<u>\$ 58,645,334</u>	<u>\$ -</u>	<u>\$ 242,228</u>	<u>\$ 3,191,752</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, 2020. 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, 2020 and 2019

### **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, 2018	\$ 249,388
Change in beneficial interest in assets held by CICF	(7,160)
Balance, August 31, 2019	242,228
Change in beneficial interest in assets held by CICF	(14,104)
Balance, August 31, 2020	\$ 228,124

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

### **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, 2020 and 2019:

	2020			
	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	\$ 444,754	\$ -	\$ -	\$ 444,754

	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

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, 2020 and 2019

### **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	Range
	2020	2019		Inputs	
Beneficial interest in assets held by CICF	\$ 228,124	\$ 242,228	Discounted cash flow	Growth factor Discount rate	6% 6%
Real estate held for resale	444,754	440,818	Appraisals/Market comparable properties	Unknown	Unknown

### **Note 19: 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, 2020 and 2019 comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,034,001	\$ 2,202,372
Contributions receivable, current portion	196,032	344,437
Notes receivable, current portion	80,000	161,855
Investments	68,021,518	60,988,894
Total liquid financial assets	<u>69,331,551</u>	<u>63,697,558</u>
Donor-imposed restrictions		
Restricted funds	6,886,691	6,854,062
Endowments	49,554,104	45,141,523
Total donor-imposed restrictions	<u>56,440,795</u>	<u>51,995,585</u>
Board-designated endowment funds	<u>7,636,045</u>	<u>7,075,935</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,254,711</u>	<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.

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

## Notes to Consolidated Financial Statements August 31, 2020 and 2019

The Foundation manages its liquidity by establishing and operating within approved budgets. The Foundation has a spending rate of 4.8% of board-designated endowment funds and donor-restricted endowment funds without a specified purpose. The Foundation has appropriated \$2.6 million from the Foundation's endowment available to be spent within the next 12 months for general operating expenses.

Although the Foundation does not intend to spend from its \$7.6 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 years ended August 31, 2020 and 2019, the level of liquidity reserves was managed within the policy requirements.

### **Note 20: Commitments and Guarantees**

The Foundation makes commitments to extend credit under its Endangered Places Loan Fund program. There is \$50,000 in commitments outstanding under these programs at August 31, 2020.

### **Note 21: Concentrations**

For 2020, two donors contributed approximately 39% of all contributions, while for 2019, 44% of total contributions were derived from one donor. In addition, approximately 70% and 88% of all grants were received from one grantor for 2020 and 2019, respectively.

### **Note 22: Subsequent Events**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through November 19, 2020, 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, 2020 and 2019

	2020	2019
<b>Net Assets Without Donor Restrictions</b>		
General Fund	\$ 20,041,126	\$ 20,004,080
Affinity Groups	102,416	100,878
Endangered Places Fund	2,242,714	2,152,558
Indiana Landmarks Center Maintenance Fund	3,581,714	3,254,389
Kemper House Maintenance Fund	292,484	231,595
Morris-Butler House Capital Maintenance Fund	188,857	118,692
Preservation Grants Fund	533,588	485,620
Easement Monitoring Fund	694,272	732,202
John E. Christian Family Memorial Trust, Inc.	5,581,484	5,180,870
Total net assets without donor restrictions	33,258,655	32,260,884
<b>Net Assets With Donor Restrictions</b>		
Endangered Places Fund	-	121,579
Grants for Historic Preservation Projects	277,525	257,643
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	1,175,428	1,464,693
Sandi Servaas Memorial Fund	2,375,951	2,170,092
Unappropriated permanent endowment earnings	29,687,055	25,274,474
General Fund - time restricted contributions	617,824	823,482
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	4,249,847	4,032,115
Total net assets with donor restrictions	57,548,619	53,309,067
Total net assets	\$ 90,807,274	\$ 85,569,951