

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

**Independent Auditor's Report
and Consolidated Financial
Statements**

August 31, 2022 and 2021



Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
August 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Indiana Landmarks as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Indiana Landmarks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Landmarks' ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Indiana Landmarks' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana Landmarks' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

FORVIS,LLP

Indianapolis, Indiana
February 2, 2023

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Financial Position
August 31, 2022 and 2021

Assets

	2022	2021
Cash and cash equivalents	\$ 4,094,579	\$ 1,215,074
Contributions receivable, net of allowance for loss, 2022 - \$58,200; 2021 - \$95,800	349,967	544,798
Prepaid expenses and other receivables	152,624	101,426
Real estate held for renovation, restoration and resale	3,494,630	4,752,456
Notes receivable, net of allowance for loss, 2022 - \$135,000; 2021 - \$122,500	515,267	544,294
Investments	72,427,325	85,154,383
Property and equipment	16,516,224	17,797,304
Beneficial interest in assets held by CICF	269,939	287,686
Total assets	\$ 97,820,555	\$ 110,397,421

Liabilities

Accounts payable and accrued expenses	\$ 702,777	\$ 549,960
Note payable	-	1,351,156
Annuities payable	13,826	15,435
Deferred revenue - life estates	150,023	157,856
Total liabilities	866,626	2,074,407

Net Assets

Without donor restrictions	35,843,398	40,633,927
With donor restrictions	61,110,531	67,689,087
Total net assets	96,953,929	108,323,014
Total liabilities and net assets	\$ 97,820,555	\$ 110,397,421

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statement of Activities
Year Ended August 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions of cash and other financial assets	\$ 1,415,423	\$ 5,193,681	\$ 6,609,104
Contributions of nonfinancial assets	308,844	-	308,844
Federal grants	437,833	-	437,833
Other grants	83,918	123,518	207,436
Membership dues	140,815	-	140,815
Tour income	189,663	-	189,663
Consulting, ticket sales and other	434,697	-	434,697
Rents	198,278	-	198,278
Investment return designated for current operations	670,285	2,377,720	3,048,005
Net loss on sale and write-down of real estate	(832,564)	-	(832,564)
	<u>3,047,192</u>	<u>7,694,919</u>	<u>10,742,111</u>
Net assets released from restrictions	3,018,937	(3,018,937)	-
Total revenue, gains and other support	<u>6,066,129</u>	<u>4,675,982</u>	<u>10,742,111</u>
Expenses			
Program services			
Preservation services	3,440,625	-	3,440,625
Marketing and membership services	425,643	-	425,643
Events, shops and tours	780,255	-	780,255
Property management and museums	1,401,301	-	1,401,301
Total program services	<u>6,047,824</u>	<u>-</u>	<u>6,047,824</u>
Management and general	852,309	-	852,309
Fund raising	310,984	-	310,984
Total expenses	<u>7,211,117</u>	<u>-</u>	<u>7,211,117</u>
Change in Net Assets Before Other Changes	(1,144,988)	4,675,982	3,530,994
Other Changes			
Change in beneficial interest in assets held by CICF	(17,747)	-	(17,747)
Investment return (less than) amounts designated for current operations	<u>(3,627,794)</u>	<u>(11,254,538)</u>	<u>(14,882,332)</u>
Change in Net Assets	(4,790,529)	(6,578,556)	(11,369,085)
Net Assets, Beginning of Year	<u>40,633,927</u>	<u>67,689,087</u>	<u>108,323,014</u>
Net Assets, End of Year	<u>\$ 35,843,398</u>	<u>\$ 61,110,531</u>	<u>\$ 96,953,929</u>

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statement of Activities
Year Ended August 31, 2021

	Without Donor Restrictions	2021 With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions of cash and other financial assets	\$ 6,529,812	\$ 129,993	\$ 6,659,805
Contributions of nonfinancial assets	894,134	-	894,134
Federal grants	483,818	-	483,818
Other grants	57,500	48,000	105,500
Membership dues	143,674	-	143,674
Tour income	108,070	-	108,070
Consulting, ticket sales and other	269,325	-	269,325
Rents	240,631	-	240,631
Investment return designated for current operations	2,720,019	198,024	2,918,043
Net loss on sale and write-down of real estate	(1,344,907)	-	(1,344,907)
	<u>10,102,076</u>	<u>376,017</u>	<u>10,478,093</u>
Net assets released from restrictions	497,423	(497,423)	-
Total revenue, gains and other support	<u>10,599,499</u>	<u>(121,406)</u>	<u>10,478,093</u>
Expenses			
Program services			
Preservation services	2,197,630	-	2,197,630
Marketing and membership services	403,100	-	403,100
Events, shops and tours	685,171	-	685,171
Property management and museums	1,435,116	-	1,435,116
Total program services	<u>4,721,017</u>	<u>-</u>	<u>4,721,017</u>
Management and general	853,882	-	853,882
Fund raising	336,166	-	336,166
Total expenses	<u>5,911,065</u>	<u>-</u>	<u>5,911,065</u>
Change in Net Assets Before Other Changes	4,688,434	(121,406)	4,567,028
Other Changes			
Change in beneficial interest in assets held by CICF	59,562	-	59,562
Investment return in excess of amounts designated for current operations	<u>2,627,276</u>	<u>10,261,874</u>	<u>12,889,150</u>
Change in Net Assets	7,375,272	10,140,468	17,515,740
Net Assets, Beginning of Year	<u>33,258,655</u>	<u>57,548,619</u>	<u>90,807,274</u>
Net Assets, End of Year	<u>\$ 40,633,927</u>	<u>\$ 67,689,087</u>	<u>\$ 108,323,014</u>

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

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2022**

	<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	\$ 1,067,701	\$ 260,208	\$ 416,073	\$ 81,150	\$ 1,825,132	\$ 438,140	\$ 180,634	\$ 2,443,906
Employee benefits	243,327	82,140	108,626	1,541	435,634	122,782	52,597	611,013
Total salaries, wages and related expenses	1,311,028	342,348	524,699	82,691	2,260,766	560,922	233,231	3,054,919
Professional services and fees	221,296	28,817	9,205	77,712	337,030	102,403	38,636	478,069
Promotion and publicity	16,150	30,066	21,617	-	67,833	843	10,307	78,983
Travel, meetings and training	109,721	1,295	8,657	-	119,673	12,547	16,888	149,108
Utilities	50,869	-	-	173,146	224,015	4,447	-	228,462
Contributions, grants and awards	290,613	-	-	-	290,613	-	-	290,613
Maintenance	1,328,730	-	43,066	305,157	1,676,953	8,017	3,955	1,688,925
Supplies, dues and subscriptions	15,904	3,650	14,150	-	33,704	45,611	1,180	80,495
Postage	3,479	19,467	417	-	23,363	4,024	6,787	34,174
Rental	2,002	-	17,025	-	19,027	-	-	19,027
Depreciation	-	-	-	646,161	646,161	37,920	-	684,081
Cost of goods sold	-	-	117,821	-	117,821	-	-	117,821
Insurance	42,695	-	3,972	116,434	163,101	46,034	-	209,135
Interest and taxes	-	-	19,561	-	19,561	30,498	-	50,059
Miscellaneous	48,138	-	65	-	48,203	(957)	-	47,246
Totals	\$ 3,440,625	\$ 425,643	\$ 780,255	\$ 1,401,301	\$ 6,047,824	\$ 852,309	\$ 310,984	\$ 7,211,117

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

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2021**

	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	\$ 1,018,003	\$ 241,344	\$ 402,187	\$ 78,803	\$ 1,740,337	\$ 382,837	\$ 168,507	\$ 2,291,681
Employee benefits	270,615	80,730	105,475	1,482	458,302	111,769	51,291	621,362
Total salaries, wages and related expenses	1,288,618	322,074	507,662	80,285	2,198,639	494,606	219,798	2,913,043
Professional services and fees	406,664	27,463	5,917	5,190	445,234	91,289	82,085	618,608
Promotion and publicity	1,089	26,296	24,802	-	52,187	315	8,683	61,185
Travel, meetings and training	37,129	667	1,921	-	39,717	3,990	10,141	53,848
Utilities	37,958	-	168	147,240	185,366	4,233	-	189,599
Contributions, grants and awards	271,859	-	-	-	271,859	-	-	271,859
Maintenance	69,434	-	18,970	234,562	322,966	6,821	3,795	333,582
Supplies, dues and subscriptions	20,140	2,999	12,970	-	36,109	47,351	3,861	87,321
Postage	2,013	23,601	358	-	25,972	3,432	7,803	37,207
Rental	1,544	-	17,575	-	19,119	-	-	19,119
Depreciation	-	-	-	843,829	843,829	49,550	-	893,379
Cost of goods sold	-	-	77,535	-	77,535	-	-	77,535
Insurance	26,975	-	3,972	124,010	154,957	41,494	-	196,451
Miscellaneous	34,207	-	13,321	-	47,528	110,801	-	158,329
Totals	\$ 2,197,630	\$ 403,100	\$ 685,171	\$ 1,435,116	\$ 4,721,017	\$ 853,882	\$ 336,166	\$ 5,911,065

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Consolidated Statements of Cash Flows
Years Ended August 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ (11,369,085)	\$ 17,515,740
Items not requiring (providing) cash		
Depreciation	684,081	893,379
Realized and unrealized (gains) losses on investments	13,171,875	(14,831,298)
Write-downs and losses on real estate held for renovation, restoration and resale	832,564	1,344,907
Provision (credit) for uncollectible notes receivable	12,500	(2,500)
Change in beneficial interest in assets held by CICF	17,747	(59,562)
Donated property	(220,000)	(825,000)
Endowment contributions received	(4,000,000)	-
Changes in		
Contributions receivable	194,831	(60,262)
Prepaid expenses and other assets	(51,198)	22,884
Real estate held for renovation, restoration and resale	1,246,644	(1,322,275)
Accounts and annuities payable and other liabilities	268,383	96,127
Net cash provided by operating activities	788,342	2,772,140
Investing Activities		
Purchase of investments	(5,117,330)	(11,625,437)
Sales and maturities of investments	4,672,513	9,323,870
Principal payments received on notes receivable	158,527	172,206
Advances on notes receivable	(142,000)	(305,000)
Purchase of property and equipment	(247,250)	(14,146)
Proceeds from sale of property and equipment	117,859	77,535
Net cash used in investing activities	(557,681)	(2,370,972)
Financing Activities		
Principal payments on notes payable	(1,351,156)	(220,095)
Proceeds from endowment contributions	4,000,000	-
Net cash provided by (used in) financing activities	2,648,844	(220,095)
Net Increase in Cash and Cash Equivalents	2,879,505	181,073
Cash and Cash Equivalents, Beginning of Year	1,215,074	1,034,001
Cash and Cash Equivalents, End of Year	\$ 4,094,579	\$ 1,215,074
Supplemental Cash Flows Information		
Property and equipment included in payables at year end	\$ -	\$ 125,008
Property held under operating lease transferred to real estate held for resale (net of write-down of \$284,174 - 2021)	-	1,300,000
Property and equipment transferred to real estate held for resale (net of write-down of \$351,381 - 2022 and \$299,724 - 2021)	250,000	325,000

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

Notes to Consolidated Financial Statements August 31, 2022 and 2021

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, 2022, cash equivalents consisted of money market funds.

The balance in excess of the insured amount was approximately \$3,410,000 at August 31, 2022.

Real Estate Held for Renovation, Restoration and Resale

Real estate held for renovation, restoration and resale is 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, 2022 and 2021

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 risks, 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 for these funds. These estimated values are subject to uncertainty and, therefore, may differ significantly from the value that would be realized if a market for such investments existed.

Investment returns are 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 returns are 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 recorded to reflect 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, whichever is less. Management determines past due status of each note receivable on an individual basis when the borrower is in default 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 able to pay the full balance in accordance with the loan agreement.

Property and Equipment

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

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

Notes to Consolidated Financial Statements August 31, 2022 and 2021

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

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

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended August 31, 2022 and 2021.

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, 2022.

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.

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

Notes to Consolidated Financial Statements August 31, 2022 and 2021

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:

Nature of the Gift	Value Recognized
<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.

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.

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

Notes to Consolidated Financial Statements August 31, 2022 and 2021

Paycheck Protection Program (PPP) Loan

The Foundation received PPP loans established by the CARES Act and 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 full time equivalent (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 Foundation recognized the full amount of the second round PPP loan of \$398,165 as federal grant revenue in the year ended August 31, 2021.

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.

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: 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.

Historic Landmarks Foundation of Indiana, Inc.
d/b/a Indiana Landmarks
Notes to Consolidated Financial Statements
August 31, 2022 and 2021

Membership Revenue

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration which the Foundation expects to receive in exchange for providing membership benefits. Membership benefits primarily include member discounts, exclusive member tours, events, and preservation experts and resources. These amounts are due from members and do 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.

Consulting Revenue

The Foundation has consulting contracts with cities in Indiana 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, 2022, 2021 and 2020, accounts receivable totaled \$133,632, \$86,669 and \$25,898, 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, 2022 and 2021. The Foundation also receives payments in advance or deposits which represent contract liabilities of \$106,435, \$71,995 and \$64,260 at August 31, 2022, 2021 and 2020, respectively.

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Notes to Consolidated Financial Statements August 31, 2022 and 2021

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, 2022 and 2021, 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.

Disaggregation of Contract Revenue

The composition of contract revenue for the years ended August 31, 2022 and 2021 is as follows:

	2022	2021
Membership	\$ 140,815	\$ 143,674
Tours	189,663	108,070
Consulting	80,065	79,601
Tickets, gift shop, and other	354,632	189,724
	\$ 765,175	\$ 521,069

The timing of recognition of contract revenue for the years ended August 31, 2022 and 2021 are as follows:

	2022	2021
Timing of revenue and recognition		
Services transferred over time	\$ 220,880	\$ 223,275
Services transferred at a point in time	544,295	297,794
	\$ 765,175	\$ 521,069

Note 3: Contributions Receivable

	2022	2021
Due within one year	\$ 209,818	\$ 281,073
Due in one to five years	211,900	381,700
	421,718	662,773
Less:		
Allowance for uncollectible contributions	(58,200)	(95,800)
Unamortized discount	(13,551)	(22,175)
	\$ 349,967	\$ 544,798

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

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Notes to Consolidated Financial Statements August 31, 2022 and 2021

Note 4: Conditional Gifts

The Foundation received a conditional gift of \$500,000 as of August 31, 2020. During 2022 and 2021, \$437,833 and \$62,167 of this gift was recognized in the consolidated financial statements, respectively. The gift was a conditional promise to give upon the Foundation incurring qualifying expenses. The balance remaining available to draw on this grant at August 31, 2022 and 2021 is \$0 and \$437,833, respectively.

Note 5: Contributed Nonfinancial Assets

In 2022, the Foundation, adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the consolidated statements of activities and disclosures within the notes to the consolidated financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

For the years ended August 31, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	2022	2021
Property	\$ 220,000	\$ 825,000
Other	88,844	69,134
	<u>\$ 308,844</u>	<u>\$ 894,134</u>

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Property

Contributed property is included in real estate held for renovation, restoration, and resale. In valuing the contributed property, the Foundation records fair value based on selling price or appraised value of the property.

Other

Other contributed nonfinancial assets include gift shop space, amortization of life estate, and miscellaneous donated items. The Foundation estimated fair value based on the value that would be received for selling those items.

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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. The mission of the Foundation is to sell these properties with protective covenants attached to the deed. Below is the activity for these assets:

	2022			
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers/ Write-Down	Ending Balance
General Fund	\$ 3,049,695	\$ 529,893	\$ (1,600,000)	\$ 1,979,588
Endangered Places Fund - Marion County	347,077	-	(300,000)	47,077
Endangered Places Fund - Statewide	865,684	1,081,589	(969,308)	977,965
Northern Indiana Preservation Fund	490,000	-	-	490,000
	<u>\$ 4,752,456</u>	<u>\$ 1,611,482</u>	<u>\$ (2,869,308)</u>	<u>\$ 3,494,630</u>
	2021			
	Beginning Balance	Additions/ Transfers	Disposals/ Transfers/ Write-Down	Ending Balance
General Fund	\$ 599,695	\$ 3,033,898	\$ (583,898)	\$ 3,049,695
Endangered Places Fund - Marion County	279,889	73,923	(6,735)	347,077
Endangered Places Fund - Statewide	371,608	1,641,992	(1,147,916)	865,684
Northern Indiana Preservation Fund	490,000	-	-	490,000
	<u>\$ 1,741,192</u>	<u>\$ 4,749,813</u>	<u>\$ (1,738,549)</u>	<u>\$ 4,752,456</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 could be 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 \$773,361 in 2022 and \$1,296,666 in 2021. 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.

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Notes to Consolidated Financial Statements August 31, 2022 and 2021

Note 7: Notes Receivable

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 agreements.

The Foundation has provided an allowance for loss on receivable balance of \$135,000 and \$122,500 at August 31, 2022 and 2021, respectively, due to economic conditions affecting the Foundation's collateral. The average balance of impaired receivables was \$180,000 and \$197,500 during 2022 and 2021, and the outstanding balances at August 31, 2022 and 2021 were \$135,000 and \$210,000, respectively.

Note 8: Investments

The Foundation's investments are as follows:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Domestic equity securities	\$ 5,911,972	\$ 5,191,537	\$ 7,681,002	\$ 4,768,612
Equity mutual funds				
Domestic	24,582,859	13,785,286	29,308,563	13,298,264
International	20,859,395	20,870,146	25,594,114	18,722,939
Fixed income mutual funds				
Domestic	10,736,757	11,452,274	12,096,435	11,460,225
International	2,180,161	2,431,414	2,415,441	2,335,540
Corporate hedge funds				
Multi-strategy hedge fund	3,711,371	3,000,000	3,626,867	3,015,270
Commodity mutual funds	4,444,810	4,128,865	4,431,961	3,837,203
	<u>\$ 72,427,325</u>	<u>\$ 60,859,522</u>	<u>\$ 85,154,383</u>	<u>\$ 57,438,053</u>

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

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Notes to Consolidated Financial Statements August 31, 2022 and 2021

The following schedules summarize the investment return and its classification in the consolidated statements of activities:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 172,314	\$ 1,165,234	\$ 1,337,548
Net realized and unrealized losses	<u>(3,129,823)</u>	<u>(10,042,052)</u>	<u>(13,171,875)</u>
Total loss on investments	(2,957,509)	(8,876,818)	(11,834,327)
Investment return designated for operations	<u>670,285</u>	<u>2,377,720</u>	<u>3,048,005</u>
Investment return in excess of amounts designated for operations	<u>\$ (3,627,794)</u>	<u>\$ (11,254,538)</u>	<u>\$ (14,882,332)</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 243,467	\$ 732,428	\$ 975,895
Net realized and unrealized gains	<u>5,103,828</u>	<u>9,727,470</u>	<u>14,831,298</u>
Total gain on investments	5,347,295	10,459,898	15,807,193
Investment return designated for operations	<u>2,720,019</u>	<u>198,024</u>	<u>2,918,043</u>
Investment return in excess of amounts designated for operations	<u>\$ 2,627,276</u>	<u>\$ 10,261,874</u>	<u>\$ 12,889,150</u>

Alternative Investments

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:

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge fund (A)	<u>\$ 3,711,371</u>	<u>\$ -</u>	Annually	45-105 days

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		2021		
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge fund (A)	<u>\$ 3,626,867</u>	<u>\$ -</u>	Annually	45-105 days

(A) This category includes investment in a hedge fund at August 31, 2022 and 2021 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 balances are as follows:

	2022	2021
Land improvements	\$ 1,206,058	\$ 1,379,072
Buildings and fixtures	18,399,577	18,907,956
Furniture	566,034	566,034
Equipment, including computers	510,778	510,778
	20,682,447	21,363,840
Accumulated depreciation	(8,737,156)	(8,133,086)
	11,945,291	13,230,754
Land	610,774	610,774
Property held for permanent use and demonstration	3,886,273	3,886,273
Inventory on hand	73,886	69,503
	\$ 16,516,224	\$ 17,797,304

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. 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.

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Note 11: Note Payable

The Foundation's note payable consists of the following:

	2022	2021
Promissory note - 4.25%. Matures February 17, 2027. Requires monthly payments of \$23,624. Outstanding balance secured by a portion of the Foundation's endowment investments	\$ -	\$ 1,351,156

The Foundation paid the full note payable balance during 2022.

Interest expense recognized and paid during the years ended August 31, 2022 and 2021 was \$30,498 and \$108,948, respectively.

Note 12: Line of Credit

In October 2021, the Foundation entered into a \$2,500,000 revolving line of credit expiring October 7, 2023. At August 31, 2022, there was \$0 borrowed against this line. The line is collateralized by substantially all of the Foundation's assets. Interest varies with the bank's prime rate less 1%, which was 4.5% percent at August 31, 2022, and is payable monthly.

Note 13: Annuities Payable

The Foundation has been the recipient of several gift annuities, which require future payments to the donors or their named beneficiaries. The assets received from the donors are recorded at fair value. The Foundation has recorded a liability at August 31, 2022 and 2021 of \$13,826 and \$15,435, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 6.9%.

Note 14: Deferred Revenue - Life Estates

The Foundation has been the recipient of several life estates. The properties received from the donors are recorded at fair value. The Foundation has recorded a liability at August 31, 2022 and 2021 of \$150,023 and \$157,856, respectively, which represents the amount of the discount for future interest. The liability has been determined using a discount rate of 5.4%.

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Note 15: Net Assets With Donor Restrictions

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

	2022	2021
Subject to expenditure for specified purpose:		
Preservation Service Program Activities		
Designated grants	\$ 1,833,343	\$ 1,120,629
Awards and Promotion	2,298,649	2,830,380
Maintenance of Kemper House	362,018	362,018
Maintenance of Morris Butler House	301,064	301,064
Veraestau Historic Site	2,323,082	2,844,305
	7,118,156	7,458,396
Subject to the passage of time:		
For periods after August 31, 2022 and 2021	1,173,779	1,192,654
Endowments:		
Accumulated investment earnings, subject to appropriation and expenditures when a specified event occurs		
Restricted by donors for:		
Any activity of the organization	26,979,773	34,511,447
Endangered Places Grant	174,707	438,273
Montgomery County Projects	11,779	37,740
Black Heritage	(166,803)	-
Maintenance of the Indiana Landmarks Center	754,121	1,596,423
Support of regional offices	1,197,970	2,587,105
Total	28,951,547	39,170,988
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
Black Heritage	4,000,000	-
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
	22,000,049	18,000,049
Total endowments	52,818,596	59,038,037
	\$ 61,110,531	\$ 67,689,087

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Notes to Consolidated Financial Statements August 31, 2022 and 2021

Note 16: 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.

	2022	2021
Satisfaction of purpose restrictions:		
Preservation services program expenses	\$ 649,450	\$ 489,991
Endowment appropriation in excess of current year earnings	2,166,822	-
Satisfaction of time restriction	202,665	7,432
Total net assets released from restriction	\$ 3,018,937	\$ 497,423

Note 17: 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

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The composition of net assets by type of endowment fund at August 31, 2022 and 2021 was:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 52,818,596	\$ 52,818,596
Board-designated endowment funds	11,002,000	-	11,002,000
Total endowment funds	\$ 11,002,000	\$ 52,818,596	\$ 63,820,596
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 59,038,037	\$ 59,038,037
Board-designated endowment funds	13,914,940	-	13,914,940
Total endowment funds	\$ 13,914,940	\$ 59,038,037	\$ 72,952,977

Changes in endowment net assets for the years ended August 31, 2022 and 2021 were:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 13,914,940	\$ 59,038,037	\$ 72,952,977
Investment return	(1,857,984)	(8,052,619)	(9,910,603)
Contributions	402,610	4,000,000	4,402,610
Appropriation of endowment assets for expenditure and actual expenditures	(1,737,662)	(2,166,822)	(3,904,484)
Other changes	280,096	-	280,096
Endowment net assets, end of year	\$ 11,002,000	\$ 52,818,596	\$ 63,820,596

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	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,636,045	\$ 49,554,104	\$ 57,190,149
Investment return	4,066,148	9,323,894	13,390,042
Contributions	5,536,477	-	5,536,477
Appropriation of endowment assets for expenditure and actual expenditures	(4,237,620)	-	(4,237,620)
Other changes	913,890	160,039	1,073,929
	<u>\$ 13,914,940</u>	<u>\$ 59,038,037</u>	<u>\$ 72,952,977</u>
Endowment net assets, end of year	<u>\$ 13,914,940</u>	<u>\$ 59,038,037</u>	<u>\$ 72,952,977</u>

Amounts of donor-restricted endowment funds classified as net assets with donor restrictions at August 31, 2022 and 2021, consisted of:

	2022	2021
Net assets with donor restrictions - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 23,867,049	\$ 19,867,049
Net assets with donor restrictions - portion of perpetual endowment funds subject to a time restriction under SPMIFA without purpose restrictions	\$ 26,979,773	\$ 34,511,447
Net assets with donor restrictions - portion of perpetual endowment funds subject to a time and purpose restriction under SPMIFA	1,971,774	4,659,541
	<u>\$ 28,951,547</u>	<u>\$ 39,170,988</u>

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. At August 31, 2022, endowment funds with original gift values of \$4,000,000, fair value of \$3,833,197, and deficiencies of \$166,803 were reported in net assets with donor restrictions. No deficiencies existed at August 31, 2021.

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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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 4.5% and 4.7% for the years ended August 31, 2022 and 2021, respectively, 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. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations.

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 18: Employee Benefits

The Foundation provides a 403(b) retirement 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 the years ended August 31, 2022 and 2021 were \$139,375 and \$134,262, respectively.

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Notes to Consolidated Financial Statements August 31, 2022 and 2021

Note 19: 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, 2022 and 2021:

	2022				
	Fair Value	Fair Value Measurements Using			Investments Measured at NAV ^(A)
Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments					
Domestic equity securities	\$ 5,911,972	\$ 5,911,972	\$ -	\$ -	\$ -
Equity mutual funds					
Domestic	24,582,859	24,582,859	-	-	-
International	20,859,395	20,859,395	-	-	-
Fixed income mutual funds					
Domestic	10,736,757	10,736,757	-	-	-
International	2,180,161	2,180,161	-	-	-
Multi-strategy hedge fund	3,711,371	-	-	-	3,711,371
Commodity mutual funds	4,444,810	4,444,810	-	-	-
	<u>72,427,325</u>	<u>68,715,954</u>	<u>-</u>	<u>-</u>	<u>3,711,371</u>
Cash and cash equivalents - money market funds	2,442,989	2,442,989	-	-	-
Beneficial interest in assets held by CICF	269,939	-	-	269,939	-
	<u>\$ 75,140,253</u>	<u>\$ 71,158,943</u>	<u>\$ -</u>	<u>\$ 269,939</u>	<u>\$ 3,711,371</u>

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	2021				
	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 ^(A)
Investments					
Domestic equity securities	\$ 7,681,002	\$ 7,681,002	\$ -	\$ -	\$ -
Equity mutual funds					
Domestic	29,308,563	29,308,563	-	-	-
International	25,594,114	25,594,114	-	-	-
Fixed income mutual funds					
Domestic	12,096,435	12,096,435	-	-	-
International	2,415,441	2,415,441	-	-	-
Multi-strategy mutual funds	3,626,867	-	-	-	3,626,867
Commodity mutual funds	4,431,961	4,431,961	-	-	-
	<u>85,154,383</u>	<u>81,527,516</u>	<u>-</u>	<u>-</u>	<u>3,626,867</u>
Cash and cash equivalents - money market funds	179,447	179,447	-	-	-
Beneficial interest in assets held by CICF	287,686	-	-	287,686	-
	<u>\$ 85,621,516</u>	<u>\$ 81,706,963</u>	<u>\$ -</u>	<u>\$ 287,686</u>	<u>\$ 3,626,867</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 years ended August 31, 2022 or 2021. 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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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, 2020	\$ 228,124
Change in beneficial interest in assets held by CICF	<u>59,562</u>
Balance, August 31, 2021	287,686
Change in beneficial interest in assets held by CICF	<u>(17,747)</u>
Balance, August 31, 2022	<u><u>\$ 269,939</u></u>

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

Notes to Consolidated Financial Statements August 31, 2022 and 2021

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, 2022 and 2021:

	2022			
	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	\$ 924,446	\$ -	\$ -	\$ 924,446

	2021			
	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	\$ 2,450,052	\$ -	\$ 1,300,000	\$ 1,150,052

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, most are classified within Level 3 of the valuation hierarchy. One property was classified as Level 2 as the result of an accepted offer to sell the property, which consummated subsequent to year end.

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, 2022 and 2021

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
	2022	2021			
Beneficial interest in assets held by CICF	\$ 269,939	\$ 287,686	Discounted cash flow	Growth factor Discount rate	6% 6%
Real estate held for resale	924,446	1,150,052	Appraisals/Market comparable properties	Unknown	Unknown

Note 20: 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, 2022 and 2021 comprise the following:

	2022	2021
Cash and cash equivalents	\$ 4,094,579	\$ 1,215,074
Contributions receivable, current portion	209,818	281,073
Notes receivable, current portion	75,000	102,500
Investments	72,427,325	85,154,383
Total liquid financial assets	<u>76,806,722</u>	<u>86,753,030</u>
Less:		
Donor-imposed restrictions		
Restricted funds	7,118,156	7,458,396
Endowments	50,951,596	57,171,037
Total donor-imposed restrictions	<u>58,069,752</u>	<u>64,629,433</u>
Less:		
Board-designated endowment funds	<u>11,002,000</u>	<u>13,914,940</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,734,970</u>	<u>\$ 8,208,657</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, 2022 and 2021

The Foundation manages its liquidity by establishing and operating within approved budgets. The Foundation has an approved spending rate of 4.5% of board-designated endowment funds and donor-restricted endowment funds without a specified purpose for fiscal year 2023. The Foundation has appropriated \$3.0 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 \$11.0 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, a policy is in place 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, 2022 and 2021, the level of liquidity reserves was managed within the policy requirements.

Note 21: Commitments and Guarantees

The Foundation makes commitments to extend credit under its Endangered Places Loan Fund program. There are \$15,000 in commitments outstanding under this program at August 31, 2022.

Note 22: Concentrations

For the year ended August 31, 2022, one donor contributed approximately 72% of all contributions, while for the year ended August 31, 2021, 66% of total contributions were derived from one donor. In addition, approximately 68% of all grants were received from one grantor for the years ended August 31, 2022 and 2021.

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Note 23: Subsequent Events

In December 2022, the Foundation received a \$10 million grant from Lilly Endowment, Inc. to expand the Sacred Places Indiana program, which helps congregations across the state maintain their historic structures and thrive as spiritual centers in their communities.

Subsequent events have been evaluated through February 2, 2023, 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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
General Fund	\$ 19,707,710	\$ 20,440,045
Affinity Groups	89,594	111,675
Endangered Places Fund	5,646,034	7,337,851
Indiana Landmarks Center Maintenance Fund	3,491,883	4,275,346
Kemper House Maintenance Fund	277,407	421,531
Morris-Butler House Capital Maintenance Fund	253,321	283,790
Preservation Grants Fund	563,172	652,468
Easement Monitoring Fund	680,590	832,279
John E. Christian Family Memorial Trust, Inc.	<u>5,133,687</u>	<u>6,278,942</u>
Total net assets without donor restrictions	<u>35,843,398</u>	<u>40,633,927</u>
Net Assets With Donor Restrictions		
Grants for Historic Preservation Projects	1,088,173	157,422
Kemper House Maintenance Fund	362,018	362,018
Morris-Butler House Capital Maintenance Fund	301,064	301,064
Northern Indiana Preservation Fund	643,799	490,000
Sacred Places Indiana Fund	745,169	963,207
Sandi Servaas Memorial Fund	2,298,649	2,830,380
Unappropriated permanent endowment earnings	28,951,547	39,170,988
General Fund - time restricted contributions	529,980	702,654
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
Black Heritage	4,000,000	-
Veraestau Historic Site	<u>4,190,083</u>	<u>4,711,305</u>
Total net assets with donor restrictions	<u>61,110,531</u>	<u>67,689,087</u>
 Total net assets	 <u>\$ 96,953,929</u>	 <u>\$ 108,323,014</u>