

**ALLEN COUNTY – FORT WAYNE
HISTORICAL SOCIETY, INC.
AND ITS SUBSIDIARY**

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2016 with
Summarized Information for June 30, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Allen County - Fort Wayne Historical Society, Inc.
and its subsidiary
Fort Wayne, Indiana

We have audited the accompanying consolidated financial statements of Allen County - Fort Wayne Historical Society, Inc. and its subsidiary (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the 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 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 financial statements.

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

Opinion

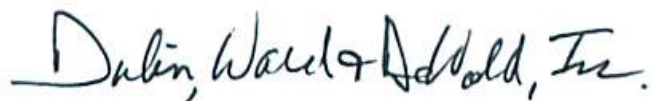
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allen County - Fort Wayne Historical Society, Inc. and its subsidiary as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Allen County - Fort Wayne Historical Society, Inc. and its subsidiary's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedule of functional expenses on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Allen County - Fort Wayne Historical Society, Inc. and its subsidiary. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Fort Wayne, Indiana
October 12, 2016

ALLEN COUNTY - FORT WAYNE HISTORICAL SOCIETY, INC.
AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016 with Summarized Information for June 30, 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 279,176	\$ 94,822
Receivables:		
Promises to give	66,400	146,400
Other	184	500
Inventories	20,273	24,711
Prepaid expenses	3,665	6,388
Investments	312,631	328,959
Beneficial interest	92,325	101,986
Cash restricted for capital improvements	10,000	11,808
Land, building and equipment - net	5,109,688	5,222,417
Historical collections	-	-
	-	-
Total Assets	\$ 5,894,342	\$ 5,937,991
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 3,458	\$ 25,791
Accrued expenses	9,541	6,810
	-	-
Total Liabilities	12,999	32,601
Net assets:		
Unrestricted	5,332,559	5,389,753
Temporarily restricted	209,491	176,344
Permanently restricted	339,293	339,293
	-	-
Total Net Assets	5,881,343	5,905,390
Total Liabilities and Net Assets	\$ 5,894,342	\$ 5,937,991

The accompanying notes are an integral part of these financial statements.

**ALLEN COUNTY - FORT WAYNE HISTORICAL SOCIETY, INC.
AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016 with Summarized
Information for the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support and Revenues		
Government and foundation grants	\$ 228,485	\$ 167,000
Contributions	67,211	-
In-kind contributions - bicentennial advertising and promotions	159,930	-
Arts United	5,160	46,400
Special events:		
Proceeds	135,687	-
Less direct benefit to donors	(10,725)	-
Memberships	23,740	-
Admissions	16,870	-
Gift shop sales - net of cost of goods sold of \$7,858 (2016) and \$7,268 (2015)	9,665	-
Investment income - net of fees of \$4,288 (2016) and \$4,520 (2015)	1,919	11,817
Rent income	58,851	-
Other income	4,061	-
Net Assets Released From Restrictions:		
Satisfaction of time requirements	146,400	(146,400)
Satisfaction of purpose requirements	29,124	(29,124)
	876,378	49,693
Total Support and Revenues		
Expenses and Losses:		
Museum	669,510	-
Gift shop	17,300	-
General and administrative	142,760	-
Fund raising	98,071	-
Loss on investments	5,931	16,546
	933,572	16,546
Total Expenses and Losses		
CHANGE IN NET ASSETS	(57,194)	33,147
NET ASSETS - beginning of year	5,389,753	176,344
NET ASSETS - end of year	\$ 5,332,559	\$ 209,491

The accompanying notes are an integral part of these financial statements.

Permanently Restricted	2016 Total	2015 Total
\$ -	\$ 395,485	\$ 696,328
-	67,211	117,431
-	159,930	-
-	51,560	51,040
-	135,687	121,437
-	(10,725)	(10,139)
-	23,740	23,047
-	16,870	13,423
-	9,665	6,813
-	13,736	15,919
-	58,851	61,897
-	4,061	2,401
-	-	-
-	-	-
-	926,071	1,099,597
-	669,510	515,466
-	17,300	18,699
-	142,760	137,728
-	98,071	82,251
-	22,477	9,229
-	950,118	763,373
-	(24,047)	336,224
339,293	5,905,390	5,569,166
<u>\$ 339,293</u>	<u>\$ 5,881,343</u>	<u>\$ 5,905,390</u>

**ALLEN COUNTY - FORT WAYNE HISTORICAL SOCIETY, INC.
AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016 with Summarized
Information for the Year Ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (24,047)	\$ 336,224
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	140,631	134,290
(Gain) loss on investments	22,477	9,229
Reinvested interest - net of fees	(11,387)	(13,359)
Reinvested interest in beneficial interest - net of fees	(2,300)	(2,498)
Contributions restricted for long term purposes	(15,000)	(69,092)
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	80,316	33,204
Inventories	4,438	(243)
Prepaid expenses	2,723	(3,594)
Increase (decrease) in:		
Accounts payable	(22,333)	10,503
Accrued expenses	2,731	959
	178,249	435,623
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments	12,529	11,929
Distributions from beneficial interest	4,670	4,518
Purchase of land, building and equipment	(27,902)	(483,857)
Change in cash restricted for capital improvements	1,808	5,267
	(8,895)	(462,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long term purposes	15,000	69,092
	184,354	42,572
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	184,354	42,572
CASH AND CASH EQUIVALENTS - beginning of year		
	94,822	52,250
CASH AND CASH EQUIVALENTS - end of year		
	\$ 279,176	\$ 94,822

The accompanying notes are an integral part of these financial statements.

ALLEN COUNTY - FORT WAYNE HISTORICAL SOCIETY, INC.
AND ITS SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Allen County - Fort Wayne Historical Society, Inc. (Society) promotes and augments the teaching of history as well as educates the public in history, especially in and of Allen County, Fort Wayne and the State of Indiana. The activities of the Society consist principally of the operation of a public museum of historic and prehistoric relics and natural and/or curiosities and specimens of art, nature, industry and commerce.

History Center Hayden Street Annex, LLC is a single member LLC owned by the Society. The LLC was created in 2011 to hold land on which a cell phone tower stands.

The consolidated financial statements include the accounts of the Allen County – Fort Wayne Historical Society, Inc. and its wholly-owned subsidiary, History Center Hayden Street Annex, LLC. All intercompany accounts and transactions have been eliminated in consolidation.

Income Taxes

The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Society has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Society considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Contributions

All contributions are considered to be available for the general programs of the Society unless specifically restricted by the donor. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are recorded in the temporarily restricted class for restrictions expiring during the fiscal year, and then reclassified to the unrestricted class. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

Memberships

Memberships are recorded as income when received.

Historical Collections

The collections, which were acquired through purchases and contributions since the Society's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses are included in the statement of activities change in net assets.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Allowance for Doubtful Accounts

When appropriate, the Society provides an allowance for doubtful accounts which is based on management's estimate of losses that will be incurred in the collection of all receivables.

Inventories

Gift shop inventories for sale to the public are carried at the lower of first-in, first-out cost or market.

Land, Building and Equipment

Land, building and equipment with a cost or donated value of \$1,000 or more and a useful life in excess of one year are capitalized. The Society follows the policy of providing depreciation (except for the museum and the Richardville House, which are historical landmarks) on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. It is not the Society's policy to imply time restrictions expiring over the useful life of the donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

In-kind Contributions

In-kind contributions of services, equipment and supplies are recognized as revenue and expense or capital assets and are recorded at market value on the date received. Limited amounts have been reported in the financial statements for donated services because they do not meet the accounting guidelines for reporting; however, a substantial number of volunteers donate significant amounts of time in providing the Society's services.

Other Matters

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to conform prior years' financial statements to the current presentation. These reclassifications have no effect on previously reported operating results.

Subsequent Events

Management has evaluated subsequent events through October 12, 2016, the date which the financial statements were available for issue.

2. PROMISES TO GIVE

All promises to give are due within one year.

The Society has received notification of a conditional grant in the amount of up to \$500,000 for window replacement, roof repair and Barr Street Market repair. The expected funding is to be received on a reimbursement basis and has not been recorded as an asset of the Society as of June 30, 2016. Total reimbursements as of June 30, 2016 were \$434,552.

In addition, the Society has received notification of a conditional grant in the amount of up to \$20,000 for the calendar year 2016 preventative maintenance costs and annual repair costs required on the heating and air conditioning system for the History Center building. The expected funding is to be received on a reimbursement basis and has not been recorded as an asset of the Society as of June 30, 2016. Total reimbursements as of June 30, 2016 were \$9,408.

The Society has also received notification of a conditional grant in the amount of up to \$22,250 for the Barr Street Market Plaza update. Up to 75% of the expected funding is to be received after confirmation of the project start and completion dates and selection of contractor(s). The remaining 25% is expected to be received after the final invoice is submitted for reimbursement.

3. BENEFICIAL INTEREST

The beneficial interest of \$92,325 at June 30, 2016 and \$101,986 at June 30, 2015 consists of funds held by the Community Foundation of Greater Fort Wayne (Foundation), which are the result of an agreement whereby the Society has transferred assets to the Foundation and has specified itself as the beneficiary of the assets. The Society may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the asset upon consent of the Foundation.

Additionally, the Foundation holds other investment assets, with a value of \$40,865 at June 30, 2016 and \$44,638 at June 30, 2015, for the benefit of the Society for which it has retained variance power. These assets are not recorded as assets of the Society.

4. INVESTMENTS

Investments at June 30, 2016 are summarized as follows:

	Market	Cost
Investments		
Equities:		
Mutual funds	\$ 138,167	\$ 108,607
Exchange traded funds	63,660	49,707
Fixed income:		
Mutual funds	86,394	84,885
Exchange traded funds	14,907	14,809
Alternative investments:		
Mutual funds	<u>6,673</u>	<u>6,534</u>
	309,801	264,542
Cash and cash equivalents	<u>2,830</u>	<u>2,830</u>
	<u>\$ 312,631</u>	<u>\$ 267,372</u>

Investments at June 30, 2015 are summarized as follows:

	Market	Cost
Investments		
Equities:		
Mutual funds	\$ 167,889	\$ 122,657
Exchange traded funds	45,933	29,332
Fixed income:		
Mutual funds	87,897	86,167
Exchange traded funds	15,738	15,865
Alternative investments:		
Mutual funds	<u>6,839</u>	<u>6,444</u>
	324,296	260,465
Cash and cash equivalents	<u>4,663</u>	<u>4,663</u>
	<u>\$ 328,959</u>	<u>\$ 265,128</u>

5. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

Beneficial Interest. Value based upon the Organization's proportionate share of the Community Foundation of Greater Fort Wayne's pooled investment portfolio.

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities measured on a recurring basis at June 30, 2016 are as follows:

	Level 1	Level 3
Investments		
Equities:		
Mutual funds	\$ 138,167	\$ -
Exchange traded funds	63,660	-
Fixed income:		
Mutual funds	86,394	-
Exchange traded funds	14,907	-
Alternative investments:		
Mutual funds	6,673	-
Beneficial interest	<u>-</u>	<u>92,325</u>
	<u>\$ 309,801</u>	<u>\$ 92,325</u>

Fair value of assets and liabilities measured on a recurring basis at June 30, 2015 are as follows:

	Level 1	Level 3
Investments		
Equities:		
Mutual funds	\$ 167,889	\$ -
Exchange traded funds	45,933	-
Fixed income:		
Mutual funds	87,897	-
Exchange traded funds	15,738	-
Alternative investments:		
Mutual funds	6,839	-
Beneficial interest	<u>-</u>	<u>101,986</u>
	<u>\$ 324,296</u>	<u>\$ 101,986</u>

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs (Level 3) for the year ending June 30:

	2016	2015
Beginning balance - July 1	\$ 101,986	\$ 109,178
Total gains and losses included in change in net assets:		
Investment income	2,907	3,143
Gain (loss) on investments - unrealized	(2,471)	(6,001)
Gain (loss) on investments - realized	(4,820)	829
Contributions	-	-
Investment fees	(607)	(645)
Grants	<u>(4,670)</u>	<u>(4,518)</u>
Ending balance - June 30	<u>\$ 92,325</u>	<u>\$ 101,986</u>

6. LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at June 30:

	2016	2015
Improvements - Museum building, Richardville House and storage facility	\$ 2,974,475	\$ 2,936,381
Building - offsite storage	286,691	286,691
Furniture and equipment	<u>159,885</u>	<u>159,885</u>
	3,421,051	3,382,957
Less accumulated depreciation	<u>1,487,559</u>	<u>1,346,929</u>
	1,933,492	2,036,028
Land - Museum, Richardville House and Barr Street Market	186,080	186,080
Land - offsite storage	5,000	5,000
Building - Museum and Richardville House	2,985,116	2,985,116
Work in progress	<u>-</u>	<u>10,193</u>
	<u>\$ 5,109,688</u>	<u>\$ 5,222,417</u>

7. LINE OF CREDIT

The Society has entered into an unsecured line of credit agreement with PNC Bank. The agreement provides for maximum borrowing of \$50,000 with interest at the prime rate plus two percent (5.50% at June 30, 2016). No amount was outstanding under the line at June 30, 2016 or June 30, 2015.

8. NET ASSETS

Temporarily restricted net assets at June 30 are available for the following:

	2016	2015
Exhibits	\$ 130,000	\$ 5,594
Future periods	66,400	146,400
Programs	1,579	561
Offsite storage building improvements	10,000	10,000
Endowment	1,512	11,982
Sign	<u>-</u>	<u>1,807</u>
	<u>\$ 209,491</u>	<u>\$ 176,344</u>

Permanently restricted net assets consist of the following endowment funds. Income from permanently restricted net assets is available for unrestricted purposes.

	2016	2015
Endowment	\$ 320,285	\$ 320,285
90 th anniversary endowment fund	<u>19,008</u>	<u>19,008</u>
	<u>\$ 339,293</u>	<u>\$ 339,293</u>

(continued)

8. NET ASSETS (continued)

The Board of Directors of Allen County-Fort Wayne Historical Society, Inc. has designated unrestricted net assets for the following purposes:

	2016	2015
Offsite storage building improvements	\$ 43,065	\$ 33,162
Society projects and restorations	8,674	8,799
Museum building improvements	4,743	36,953
Richardville House improvements	<u>-</u>	<u>604</u>
	<u>\$ 56,482</u>	<u>\$ 79,518</u>

9. ENDOWMENT

Allen County-Fort Wayne Historical Society, Inc. has currently invested its donor-restricted endowment funds in investment accounts with a mixture of equities, fixed income, alternative investments and cash and cash equivalents and a beneficial interest. The endowments have been established for operating the Society. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Allen County-Fort Wayne Historical Society, Inc. has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair 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, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(continued)

9. ENDOWMENT (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society.

Endowment Net Asset Composition by Type of Fund as of June 30

	Donor Restricted Endowment	
	2016	2015
Unrestricted	\$ (7,654)	\$ -
Temporarily restricted	1,512	11,982
Permanently restricted	<u>339,293</u>	<u>339,293</u>
 Total funds	 <u>\$ 333,151</u>	 <u>\$ 351,275</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ -	\$ 11,982	\$ 339,293	\$ 351,275
Contributions	-	-	-	-
Investment return:				
Investment income	-	15,611	-	15,611
Unrealized gain (loss)	-	(19,048)	-	(19,048)
Realized gain (loss)	-	2,502	-	2,502
Fees	<u>-</u>	<u>(3,794)</u>	<u>-</u>	<u>(3,794)</u>
Total investment return	-	(4,729)	-	(4,729)
Appropriation of endowment assets for expenditure	<u>(7,654)</u>	<u>(5,741)</u>	<u>-</u>	<u>(13,395)</u>
Endowment net assets - end of year	<u>\$ (7,654)</u>	<u>\$ 1,512</u>	<u>\$ 339,293</u>	<u>\$ 333,151</u>

(continued)

9. **ENDOWMENT** (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ -	\$ 15,107	\$ 339,293	\$ 354,400
Contributions	-	-	-	-
Investment return:				
Investment income	-	17,821	-	17,821
Unrealized gain (loss)	-	(13,011)	-	(13,011)
Realized gain (loss)	-	7,990	-	7,990
Fees	-	(3,996)	-	(3,996)
Total investment return	-	8,804	-	8,804
Appropriation of endowment assets for expenditure	-	(11,929)	-	(11,929)
Endowment net assets - end of year	<u>\$ -</u>	<u>\$ 11,982</u>	<u>\$ 339,293</u>	<u>\$ 351,275</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	2016	2015
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retrained permanently either by explicit donor stipulation or by UPMIFA	\$ 339,293	\$ 339,293
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to time restriction under UPMIFA	\$ 1,512	\$ 11,982

(continued)

9. **ENDOWMENT** (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature that are reported as unrestricted net assets were \$7,654 as of June 30, 2016. These deficiencies resulted from unfavorable market fluctuations and spending of endowment assets.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to preserve the principal in terms of its purchasing power so the fund will be able to serve the Society's needs over the long term; produce sufficient income to meet the needs of the Society; and provide long-term growth in assets as may be fairly balanced by the need for reasonable income and investment risk. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve satisfactory investment returns while gaining the risk control of diversification.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year 4% of its endowment fund's average prior three-year portfolio value. In establishing this policy, the Society considered the long-term expected return on its endowment.

10. IN-KIND CONTRIBUTIONS

The Society recognizes contributions of certain services received at the fair value of those services as follows:

	2016	2015
Fund raising:		
Advertising and promotion	\$ 35,690	\$ 15,366
Museum:		
Advertising and promotion – Bicentennial	159,930	-
Occupancy	<u>-</u>	<u>158</u>
	<u>\$ 195,620</u>	<u>\$ 15,524</u>

11. RENT INCOME

The Society leases a portion of its building on Hayden Street to other organizations. The leases are accounted for as operating leases and expire at various dates through May 2017. The Society recognized rent income from these leases of \$28,800 in 2016 and \$28,925 in 2015. The Society also recognized reimbursement of utility payments of \$1,597 in 2016 and \$-0- in 2015.

Minimum future rental income to be received on the noncancelable operating lease as of June 30, 2016 for each of the next five years and in the aggregate are:

Fiscal years ending June 30	
2017	\$ 9,600
2018 and thereafter	<u>-</u>
Total	<u>\$ 9,600</u>

The Society also leases portions of the museum to the public throughout the year for various events. Revenue under these cancelable leases totaled \$28,454 of rent income in 2016 and \$32,972 in 2015.

12. ADVERTISING COSTS

Advertising costs are charged to operations as incurred and totaled \$218,869 for 2016 and \$47,025 for 2015.

13. RETIREMENT PLAN

The Society sponsors a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) under Section 408(p) of the Internal Revenue Code. The plan covers all employees who receive at least \$5,000 in compensation per year. The Society matches an amount equal to an employee's salary reduction contributions up to a limit of 3% of the employee's compensation. Expense recognized under the plan was \$1,330 for 2016 and \$2,419 for 2015.

14. OPERATING LEASES

The Society is leasing a mailing system through November 2017 under a lease which requires quarterly lease payments of \$367. Expense recognized under the lease was \$1,469 for 2016 and 2015.

Minimum future rental payments under the lease for each of the next five years and in the aggregate are:

Fiscal years ending June 30	
2017	\$ 1,469
2018	735
2019	-
2020	-
2021 and thereafter	<u>-</u>
	<u>\$ 2,204</u>

15. CONCENTRATIONS AND CREDIT RISK

Investments are exposed to various risks and rewards, such as interest rate, market, and credit risks. Due to these risks and rewards associated with certain investments, it is possible that changes in the values of investments may occur and that such changes could affect the amounts reported on the statement of financial position.

16. COMMITMENTS

During 2015, the Society entered into a contract with a company to perform architectural services related to the roof replacement on the Richardville House. The total contract amount is \$2,000 of which \$1,000 had been paid as of June 30, 2016.

ALLEN COUNTY - FORT WAYNE HISTORICAL SOCIETY, INC.
AND ITS SUBSIDIARY
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016 with Summarized Financial
Information for the Year Ended June 30, 2015

	Museum	Gift Shop	Management and General
Salaries	\$ 234,286	\$ 15,821	\$ 67,820
Employee benefits	15,328	65	3,752
Payroll taxes	17,369	1,210	5,515
	<hr/>	<hr/>	<hr/>
Total Salaries and Related Expenses	266,983	17,096	77,087
Advertising and promotion - bicentennial	159,930	-	-
Occupancy	83,328	-	-
Advertising and promotion	14,416	-	-
Legal and accounting	-	-	17,281
Insurance	10,474	-	2,840
Printing and publications	13,325	-	-
Special events	1,512	-	-
Office supplies	-	204	5,289
Postage and shipping	4,254	-	1,154
Telephone and internet	2,999	-	813
Equipment rent and maintenance	1,248	-	2,441
Contracted labor	2,210	-	-
Exhibits	3,084	-	-
Conferences, conventions and meetings	-	-	2,194
Credit card fees	-	-	2,020
Educational programs	1,860	-	-
Unclassified	(25)	-	1,504
Special projects	1,575	-	-
Payroll service fees	-	-	1,143
Dues and subscriptions	-	-	966
Bank fees	-	-	191
Travel and entertainment	-	-	87
Database services	-	-	-
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Total Expenses Before Depreciation	567,173	17,300	115,010
Depreciation	102,337	-	27,750
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 669,510</u>	<u>\$ 17,300</u>	<u>\$ 142,760</u>

See independent auditors' report.

Fund Raising	2016 Total	2015 Total
\$ 25,768	\$ 343,695	\$ 323,770
833	19,978	19,308
1,966	26,060	24,704
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28,567	389,733	367,782
-	159,930	-
-	83,328	92,102
44,523	58,939	47,025
-	17,281	15,960
1,079	14,393	12,510
797	14,122	12,928
8,934	10,446	11,746
1,514	7,007	7,565
438	5,846	5,730
309	4,121	3,389
-	3,689	2,996
1,116	3,326	3,188
-	3,084	5,743
-	2,194	2,223
-	2,020	1,892
-	1,860	2,477
250	1,729	2,025
-	1,575	19,398
-	1,143	1,131
-	966	794
-	191	151
-	87	471
-	-	628
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87,527	787,010	619,854
10,544	140,631	134,290
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\$ 98,071	\$ 927,641	\$ 754,144
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