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July 10, 2024

Board of Directors  
Indiana State Museum and Historic Sites  
Marion County, Indiana

We have reviewed the audit report of the Indiana State Museum and Historic Sites, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indiana State Museum and Historic Sites as of June 30, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

INDIANA STATE  
**MUSEUM**  
AND HISTORIC SITES

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTARY AND OTHER INFORMATION

June 30, 2023

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

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## *Independent Auditor's Report*

Board of Trustees  
Indiana State Museum and Historic Sites Corporation

### **Report on the Audit of Financial Statements**

#### ***Opinion***

We have audited the financial statements of Indiana State Museum and Historic Sites Corporation, a component unit of the State of Indiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Indiana State Museum and Historic Sites Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Indiana State Museum and Historic Sites Corporation, as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indiana State Museum and Historic Sites Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana State Museum and Historic Sites Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 State Museum and Historic Sites Corporation's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Indiana State Museum and Historic Sites Corporation's 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of Corporation's proportionate share of the net pension liability and Corporation contributions and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indiana State Museum and Historic Sites Corporation's basic financial statements. The accompanying combining schedule – statement of net position information and combining schedule – statement of revenues, expenses and changes in net position information, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of Indiana State Museum and Historic Sites Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Indiana State Museum and Historic Sites Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana State Museum and Historic Sites Corporation's internal control.

*Katz, Sappun & Miller, LLP*

Indianapolis, Indiana  
October 16, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2023**

As management of Indiana State Museum and Historic Sites Corporation (Corporation), we offer readers of the Corporation's basic financial statements this narrative overview and analysis of the financial activities of the Corporation and its blended component unit, the Indiana State Museum Foundation, Inc. (Foundation), (together, the Museum and Historic Sites) for the fiscal year ended June 30, 2023. The Corporation was established per Indiana Code 4-37 effective July 1, 2011. The Corporation is a separate body, corporate and politic and is not a state agency. The Foundation was established in 1968 as a 501(c)(3) nonprofit and continues to support the operations of the Corporation, which were previously conducted as a division of the Indiana Department of Natural Resources. The Corporation is considered to be financially accountable for the Foundation and, in substance, the Foundation is part of the Corporation's operations even though the Foundation is a legally separate entity.

**FINANCIAL HIGHLIGHTS**

- The financial statements present the operations of the Museum and Historic Sites in total.
- In total, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at June 30, 2023 by approximately \$16.8 million.
- Net position of the Corporation was \$1.4 million, and net position for the Foundation was \$15.4 million. Of the \$16.8 million of net position, \$1.0 million represents an unrestricted net position, \$14.7 million is restricted for exhibitions, artifacts, and sites; capital campaign; endowment appreciation; preventative maintenance; and capital repair and rehab, \$1.0 million is held as a permanent endowment, and \$0.1 million is invested in capital assets.
- The total net position increased by \$5.3 million for the fiscal year ended June 30, 2023.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Museum and Historic Sites' basic financial statements. The Museum and Historic Sites is a component unit of the State of Indiana (State) and is maintained as an enterprise fund. Enterprise funds are used to report activities for which a fee is charged to external users for goods or services. An enterprise fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting. The Museum and Historic Sites' basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

The statement of net position presents information on all the Museum and Historic Sites' assets and liabilities and deferred outflows and deferred inflows of resources, with the difference between the total of assets and deferred outflows of resources and total liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Museum and Historic Sites is improving or deteriorating.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The statement of revenues, expenses and changes in net position presents information on how the Museum and Historic Sites' net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In contrast, the statement of cash flows is concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 27 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information including the schedule of the Corporation's proportionate share of the net pension liability and the schedule of the Corporation's contributions and the related notes on pages 28 through 30, and other supplementary information including the combining schedule of statement of net position information and the combining schedule of statement of revenues, expenses and changes in net position information, on pages 31 through 32.

## FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Museum and Historic Sites, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16.8 million at June 30, 2023.

### Statements of Net Position

Below is the condensed statements of net position relating to the Museum and Historic Sites at June 30, 2023 and 2022.

#### Museum and Historic Sites Condensed Statements of Net Position

	June 30, 2023	June 30, 2022
Current assets	\$12,538,465	\$ 8,271,823
Noncurrent Assets	<u>6,451,181</u>	<u>6,001,775</u>
Total Assets	<u>18,989,646</u>	<u>14,273,598</u>
Deferred Outflows of Resources	<u>1,596,572</u>	<u>1,244,131</u>
Current liabilities	359,417	456,526
Noncurrent liabilities	<u>2,930,856</u>	<u>1,194,132</u>
Total Liabilities	<u>3,290,273</u>	<u>1,650,658</u>
Deferred Inflows of Resources	<u>530,611</u>	<u>2,445,196</u>
Net Position	<u>\$16,765,334</u>	<u>\$11,421,875</u>

## FINANCIAL ANALYSIS (CONTINUED)

As of June 30, 2023, total assets increased by \$4.7 million, deferred outflows increased by \$0.4 million, liabilities increased by \$1.6 million, and deferred inflows decreased by \$1.9 million from June 30, 2022. Net position increased by \$.2 million or 2% during fiscal year 2022. Assets increasing relates to an increase in cash and investments, which is due to better market performance and overall increase in net position. Deferred outflows increasing, noncurrent liabilities increasing, and deferred inflows decreasing are all due to change in actuarial estimates and increase in the Museum and Historic Sites proportion of the net pension liability.

### Statements of Revenues, Expenses and Changes in Net Position

Below is the condensed statements of revenues, expenses and changes in net position relating to the Museum and Historic Sites for the years ended June 30, 2023 and 2022.

#### Museum and Historic Sites Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2023	Year Ended June 30, 2022
Operating Revenues		
Visitor activities	\$ 2,244,463	\$ 2,230,214
Other	<u>155,354</u>	<u>218,213</u>
Total Operating Revenues	2,399,817	2,448,427
Operating Expenses	<u>15,257,253</u>	<u>13,164,004</u>
Net Operating Loss	<u>(12,857,436)</u>	<u>(10,715,577)</u>
Nonoperating revenues	19,696,844	11,491,037
Nonoperating expenses	<u>1,495,949</u>	<u>538,147</u>
Net Nonoperating Income	<u>18,200,895</u>	<u>10,952,890</u>
Increase in Net Position	5,343,459	237,313
Net Position:		
Beginning of Year	<u>11,421,875</u>	<u>11,184,562</u>
End of Year	<u>\$ 16,765,334</u>	<u>\$ 11,421,875</u>

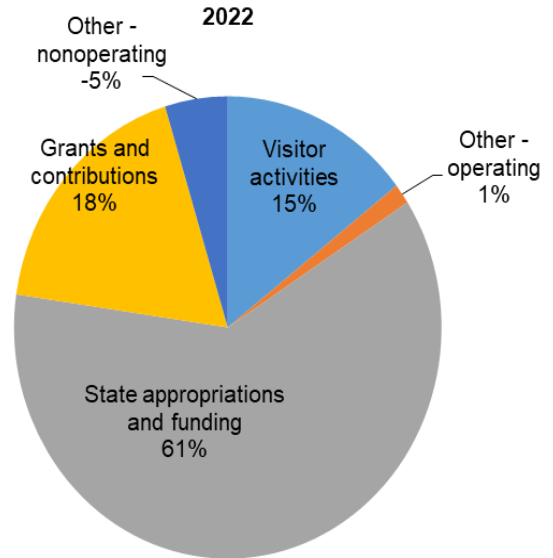
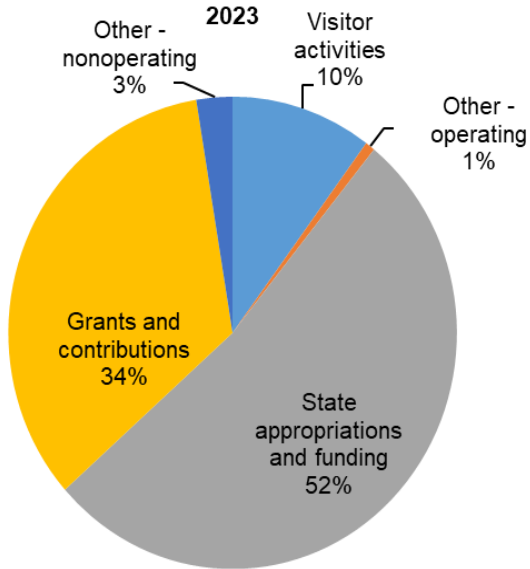
Total revenues for the fiscal year ended June 30, 2023, were \$22.1 million, which was an \$8.2 million increase from prior year. Expenses for the fiscal year ended June 30, 2023, were \$16.8 million, which was a \$3.1 million increase from prior year. This increase in net position for fiscal year ended June 30, 2023 was \$5.3 million.

As noted above, revenues increased by \$8.2 million, with nonoperating revenues increasing due to significant grants and contributions received for Angel Mounds, an increase in state appropriations, and unrealized gains on investments in the current year compared to unrealized losses in the prior year due to better market performance in fiscal year 2023. Expenses increased by \$3.1 million from the prior year, with significant increase in expenses for Angel Mounds, which is consistent with increase in contributions, an increase in salaries due to the Governor approved salary increases in fiscal year 2023, and significant increase in pension expense due to change in actuarial estimates and increase in the Museum and Historic Sites proportion of the net pension liability.

**FINANCIAL ANALYSIS (CONTINUED)**

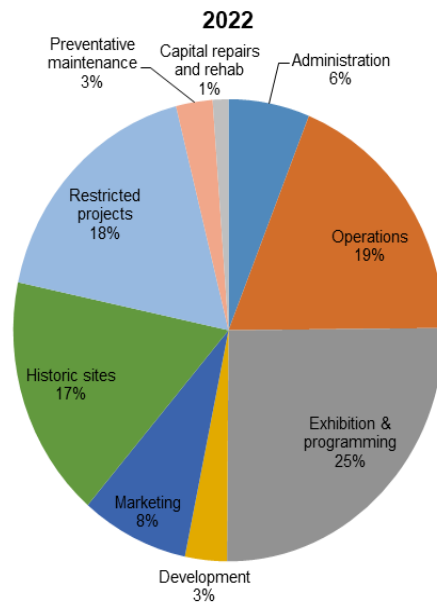
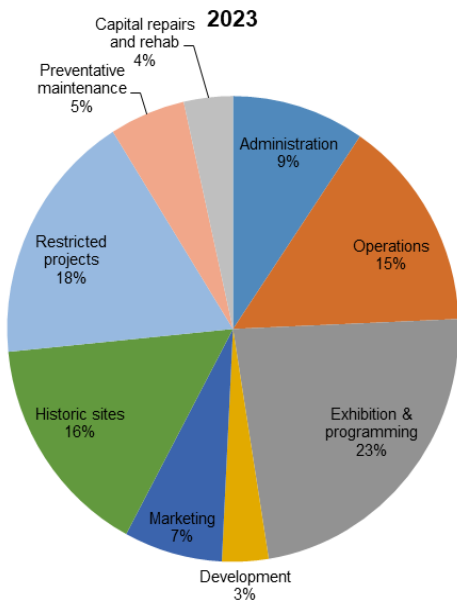
The charts below present revenues by source for the Museum and Historic Sites for the years ended June 30, 2023 and 2022.

**Revenues by Source**



The charts below present expenses by function for the Museum and Historic Sites for the years ended June 30, 2023 and 2022.

**Expenses by Function**



## **FINANCIAL STATEMENTS**

## CAPITAL ASSET ADMINISTRATION

The Museum and Historic Sites' investment in capital assets was \$.1 million (net of accumulated depreciation) at June 30, 2023 and 2022. The investment in capital assets includes furniture and equipment. All real property related to the Museum and Historic Sites is held in title and owned by the State.

### Capital Assets (Net of Accumulated Depreciation)

	June 30, 2023	June 30, 2022
Capital assets	\$ 1,796,333	\$ 1,796,333
Less: Accumulated Depreciation	<u>(1,744,925)</u>	<u>(1,726,792)</u>
Net	<u>\$ 51,408</u>	<u>\$ 69,541</u>

Additional information on the Museum and Historic Sites' capital assets can be found in Note 5 to the financial statements on page 20 of this report.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Museum and Historic Sites' finances. Questions concerning any of the information should be addressed to Indiana State Museum and Historic Sites Corporation, 650 W. Washington Street, Indianapolis, IN 46204.

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**STATEMENT OF NET POSITION**  
**June 30, 2023**

<b>CURRENT ASSETS</b>	
Cash and equivalents	\$ 11,176,229
Accounts receivable	1,700
Promises to give, net	180,933
Prepaid expenses	67,904
Short-term investments	879,720
Inventory	231,979
Total Current Assets	12,538,465
<b>NONCURRENT ASSETS</b>	
Investments	2,718,062
Restricted cash and investments	3,584,664
Beneficial interest in trust	97,047
Capital assets, net	51,408
Total Noncurrent Assets	6,451,181
<b>TOTAL ASSETS</b>	18,989,646
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,596,572
<b>CURRENT LIABILITIES</b>	
Accounts payable	212,162
Accrued liabilities	3,716
Deferred revenue	143,539
Total Current Liabilities	359,417
<b>NONCURRENT LIABILITIES</b>	
Pension liability	2,930,856
Total Noncurrent Liabilities	2,930,856
Total Liabilities	3,290,273
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow of resources related to beneficial interest in trust	97,047
Deferred inflow of resources related to pensions	433,564
Total Deferred Inflows of Resources	530,611
<b>NET POSITION</b>	
Net investment in capital assets	51,408
Restricted, expendable:	
Exhibitions, artifacts, and sites	9,905,212
Endowment appreciation	1,852,744
Preventative maintenance	1,228,071
Capital repair and rehab	1,495,924
Capital campaign	260,315
Restricted, nonexpendable:	
Endowment principal	956,920
Unrestricted	1,014,740
<b>TOTAL NET POSITION</b>	\$ 16,765,334

See accompanying notes.

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2023**

**OPERATING REVENUES**

Visitor activities:		
Admissions	\$	699,970
Facility rental		415,770
Food commission		176,573
IMAX commission		11,728
Museum store		310,938
Memberships		281,907
Educational program fees		347,577
Other:		
Collection fees		16,414
Sponsorships		60,940
Artifact acquisition		78,000
Total Operating Revenues		<u>2,399,817</u>

**OPERATING EXPENSES**

Administration		1,590,965
Operations		2,483,918
Exhibition and other programming		3,878,252
Development		555,930
Marketing		1,181,203
Historic sites		2,611,821
Restricted projects		2,955,164
Total Operating Expenses		<u>15,257,253</u>

Net Operating Loss (12,857,436)

**NONOPERATING REVENUES**

State general fund appropriations		9,833,671
State funding for preventative maintenance		574,687
State funding for capital repair and rehab		1,210,300
Unrestricted contributions		317,085
Grants		2,553,179
Restricted gifts		4,634,144
Lincoln license plates		46,425
Interest and dividend income and net appreciation		527,353
Total Nonoperating Revenues		<u>19,696,844</u>

**NONOPERATING EXPENSES**

Preventative maintenance		907,463
Capital repair and rehab		588,486
Total Nonoperating Expenses		<u>1,495,949</u>

Net Nonoperating Income 18,200,895

**INCREASE IN NET POSITION** 5,343,459

**NET POSITION**

Beginning of Year		<u>11,421,875</u>
End of Year		<u>\$ 16,765,334</u>

See accompanying notes.

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from visitor activities	\$ 2,251,135
Cash payments to other suppliers for goods or services	(6,056,469)
Other operating cash receipts	145,420
Net Cash Used by Operating Activities	<u>(3,659,914)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from state appropriations	1,792,027
Cash received from contributions, grants and gifts	8,026,245
Cash received from Lincoln license plates	46,425
Cash paid for preventative maintenance and capital repair and rehab	(1,495,949)
Net Cash Provided by Noncapital Financing Activities	<u>8,368,748</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(1,610,828)
Sales and maturities of investments	1,352,037
Cash received from interest and dividends	285,420
Net Cash Provided by Investing Activities	<u>26,629</u>

**NET INCREASE IN CASH AND EQUIVALENTS**

4,735,463

**CASH AND EQUIVALENTS**

Beginning of Year	<u>6,679,916</u>
End of Year	<u>\$ 11,415,379</u>

**CASH AND EQUIVALENTS**

Cash and equivalents - unrestricted	\$ 11,176,229
Cash and equivalents - restricted	<u>239,150</u>

**TOTAL CASH AND EQUIVALENTS**

\$ 11,415,379

**RECONCILIATION OF OPERATING LOSS TO NET**

**CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$ (12,857,436)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	18,133
On-behalf payments for salaries and fringe benefits	9,833,671
(Increase) decrease in certain assets and deferred outflows:	
Accounts receivable from operating activities	68
Prepaid expenses	1,803
Inventory	(28,742)
Deferred outflows of resources related to pension	(352,441)
Increase (decrease) in certain liabilities and deferred inflows:	
Accounts payable	(92,746)
Accrued liabilities	(16,974)
Deferred revenue	12,611
Pension liability	1,736,724
Deferred inflows of resources related to pension	<u>(1,914,585)</u>
Net Cash Used by Operating Activities	<u>\$ (3,659,914)</u>

See accompanying notes.

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity:** By Indiana Code 4-37, the Indiana General Assembly created the Indiana State Museum and Historic Sites Corporation (Corporation), a component unit of the State of Indiana (State), as a separate corporation as of July 1, 2011. Prior to July 1, 2011, the operations of the Corporation, which commenced in 1869, were considered a division of the Indiana Department of Natural Resources. The Corporation preserves, interprets and presents material evidence of Indiana's cultural and natural history in a context that encourages people to actively participate in discovering the world — as it was, as it is and as it can be. The Corporation operates and preserves the Indiana State Museum located in the Indiana White River State Park and eleven historic sites across the State. All real property related to the Corporation is held in title and owned by the State of Indiana. The Corporation along with its blended component unit (collectively, the Museum and Historic Sites) is a component unit to be included in the State's Annual Comprehensive Financial Report because it was established as a separate body, corporate and politic (not a state agency). A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable.

**Blended Component Unit:** Indiana Code 4-37, also authorized the Indiana State Museum Foundation, Inc. (Foundation) as a nonprofit under common control of the Corporation to solicit and accept private funding, gifts, donations, bequests, devises, and contributions. The Foundation was incorporated as a not-for-profit foundation in 1968. The Corporation is considered to be financially accountable for the Foundation and, in substance, the Foundation is part of the Corporation's operations even though the Foundation is a legally separate entity. The Foundation is therefore presented as a blended component unit of the Corporation.

**Fund Financial Statements:** The Museum and Historic Sites is reported as an enterprise fund. Enterprise fund financial statements consist of the statement of net position; statement of revenues, expenses and changes in net position; and the statement of cash flows. Enterprise fund activities rely to a significant extent on fees and charges for support.

**Basis of Presentation:** The Museum and Historic Sites prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as applied to enterprise fund activities of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Museum and Historic Sites applies all applicable GASB pronouncements.

**Measurement Focus and Basis of Accounting:** The basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting. For financial reporting purposes, operations are reported as a single enterprise fund and accordingly, all inter-fund transactions and balances are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The measurement focus is on the flow of economic resources.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and expenses of enterprise fund activities are divided into operating and nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with principal ongoing operations. Revenue from admissions, merchandise and other sales, and member contributions are reported as operating revenues. Operating expenses include primarily the costs of providing program services, administrative expenses, and depreciation on capital assets. All revenues and expenses which are capital, financing, or investing related are reported as nonoperating revenues and expenses in the statement of revenues, expenses and changes in net position.

**Estimates:** Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, and deferred outflows of resources and deferred inflows of resources; the disclosure of contingent assets and liabilities; and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

**Revenue Recognition:** The Museum and Historic Sites recognizes admissions, facility rental, museum store, site fees, and educational program fees at the point of sale or when the program is provided. Membership contributions are recognized as revenue when received. The Museum and Historic Sites recognizes operating and capital grants and contributions, including unconditional promises to give due in future periods, when all eligibility requirements, including time requirements, are met. 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. The value of in-kind contributions was \$6,007 for the year ended June 30, 2023. State appropriations are recognized as revenue when allotted by the State. All other revenue is recognized as earned. Deferred revenue includes certain amounts received from facility rentals and fees for events held in subsequent fiscal years.

**Cash and Equivalents** include cash on hand, bank deposit accounts, money market funds, and certificates of deposit with an original maturity date of less than three months. Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. To date, there have been no losses in such accounts.

**Restricted Cash and Investments** include assets held in the donor-restricted endowment.

**Investment Valuation and Income Recognition:** Investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net position.

**Accounts Receivable** primarily include appropriations due from the State for preventative maintenance and capital repair and rehab. Accounts receivable due from the State are stated at the amounts on claim vouchers submitted to the State.

**Promises to Give** represent the remaining balance of unconditional promises to give that have not yet been paid. Promises to give that are expected to be collected within one year or less are recorded at net realizable value. Promises to give that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The promises to give have been discounted using a risk-free interest rate applicable during the time the promise to give was made. Management uses historical collection and aging of receivables to estimate an allowance for doubtful accounts.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Inventory** is stated at cost, determined on the first-in, first-out basis.

**Capital Assets** are recorded at cost. Capital assets are defined as assets with an initial, individual cost or value of more than \$10,000 and an estimated useful life in excess of one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 15 years.

**Art Collection:** The Museum and Historic Sites collects works of art representing Indiana's cultural and natural history. It preserves, collects and interprets this material through curatorial research and educational outreach. Collection items acquired either through purchase or donation are not capitalized. Contributions of collection items are not recognized in the statement of revenues, expenses and changes in net position. Standard procedures are used in accessioning, deaccessioning, cataloging and managing art objects. The Museum provides a clean, safe and stable storage environment for its permanent collections. There were no significant deaccessions during the year ended June 30, 2023.

**Deferred Outflows of Resources:** The Corporation reports decreases in net assets that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported at June 30, 2023, related to the defined benefit pension plan. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except for the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

**Deferred Inflows of Resources:** The Corporation reports increases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred inflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except the net difference between projected and actual earnings on pension plan investments, which is amortized over five years. Deferred inflows of resources reported at June 30, 2023, also related to a beneficial interest in irrevocable split-interest agreement that is administered by a third party.

**Net Position** is classified as follows:

- **Net Investment in Capital Assets** includes capital assets net of the accumulated depreciation.
- **Restricted, Expendable Net Position** reports the difference between assets and liabilities of certain programs whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Museum and Historic Sites.
- **Restricted, Nonexpendable Net Position** reports the difference between assets and liabilities of certain programs subject to externally imposed stipulations that the assets be maintained permanently.
- **Unrestricted Net Position** reports the remaining difference between assets and liabilities.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The Museum and Historic Sites' policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Expense Classification:** Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit.

**Retirement Plan:** The employees of the Museum and Historic Sites participate in the Indiana Public Retirement System (INPRS). The Museum and Historic Sites recognizes its proportionate share of the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense. See Note 9.

**Compensated Absences:** All full-time employees receive compensation for vacations, holidays, illness and certain other qualifying absences. This compensation is included in the on-behalf payments paid by the general fund of the State. See Note 10.

**Advertising Costs** are expensed as incurred. Advertising expenses amounted to \$524,351 for the year ended June 30, 2023.

**Subsequent Events:** The Museum and Historic Sites has evaluated the financial statements for subsequent events occurring through October 16, 2023, the date the financial statements were available to be issued.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits and investments consisted of the following at June 30, 2023:

	Corporation	Foundation	Total
Cash and equivalents:			
Cash	\$2,900,508		\$ 2,900,508
Certificate of deposit	257,998	\$ 7,077,052	7,335,050
Money market funds	101,900	838,771	940,671
Short-term investments:			
Mutual funds		635,451	635,451
Exchange traded products		173,134	173,134
Certificates of deposit		47,226	47,226
U.S. government bonds		23,909	23,909
Noncurrent investments and restricted cash and investments:			
Money market funds		239,150	239,150
Mutual funds		2,378,125	2,378,125
Common stocks		617,337	617,337
Exchange traded products		1,562,290	1,562,290
Corporate bonds		395,676	395,676
U.S. government bonds		<u>1,110,148</u>	<u>1,110,148</u>
Total Deposits and Investments	<u>\$3,260,406</u>	<u>\$15,098,269</u>	<u>\$18,358,675</u>

Noncurrent investments consist of the following at June 30, 2023:

Unrestricted	\$2,718,062
Donor-restricted for historic sites	775,000
Donor-restricted endowment fund	<u>2,809,664</u>
Total Noncurrent Investments	<u>\$6,302,726</u>

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk of Deposits:** Custodial risk is the risk that in the event of bank failure, the Museum and Historic Sites' deposits may not be returned to it. To address custodial credit risk, the Museum and Historic Sites has a policy related to the donor-restricted and board-designated endowment funds that permissible cash and equivalents include any security issued by the U.S. government and commercial paper or bankers acceptances rated at least A-1 or P-1 and fully insured or collateralized deposits in U.S. banks. The Museum and Historic Sites do not have a policy that addresses custodial credit risk for cash and equivalents not held for the donor-restricted or board-designated endowment funds. Cash deposits up to \$250,000 per financial institution are insured by the Federal Deposit Insurance Company. Any cash and investments belonging to the Foundation in excess of federally insured limits are not insured and present a custodial credit risk.

As of June 30, 2023, the Museum and Historic Sites had the following deposit balances exposed to custodial credit risk:

Uninsured and uncollateralized deposits	\$ 9,695,561
Uninsured deposits collateralized with securities held by the pledging financial institution	<u>940,671</u>
	<u>\$10,636,232</u>

**Investment Policy – Foundation:** The Foundation maintains an investment policy for long-term investments and endowment funds. To achieve the Foundation’s investment objective, it must preserve the real purchasing power of its endowed assets and have available a growing stream of income for spending, net of inflation. The primary objective of the endowment is to preserve the real purchasing power of the endowment while providing a relatively predictable, constant and stable stream of earnings for current spending. Within this framework, the Foundation seeks to earn, for the endowment, a long-term annualized total return, net of investment management fees, equal to inflation plus 5%. Inflation is measured by the Consumer Price Index.

The Foundation has target and acceptable investment allocation ranges. The target and acceptable ranges are as follows:

<u>Investment Class</u>	<u>Target Allocation</u>	<u>Acceptable Range</u>
U.S. Equity Large	45%	40% - 65%
U.S. Equity Mid	5%	0% - 20%
U.S. Equity Small	5%	0% - 20%
International Equity	10%	5% - 25%
Marketable Alternatives	15%	0% - 20%
Private Equity	0%	0% - 15%
Fixed Income	20%	0% - 35%
Cash	0%	0% - 10%

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Type and Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Museum and Historic Sites do not have an investment policy to address interest rate risk. As of June 30, 2023, the Museum and Historic Sites had the following investments and maturities:

	Investment Maturities (in years)				
	Fair Value	< 1	1 – < 5	5 – < 10	> 10
Money market funds	\$ 1,179,821	\$ 1,179,821			
Certificate of deposit	7,382,276	7,382,276			
Common stocks	617,337	617,337			
Mutual funds	3,013,576	3,013,576			
Exchange traded products	1,735,424	1,735,424			
Corporate bonds	395,676	24,815	\$305,997	\$ 64,864	
U.S. government bonds	<u>1,134,057</u>	<u>23,909</u>	<u>670,825</u>	<u>439,323</u>	<u>\$ -</u>
	<u>\$15,458,167</u>	<u>\$13,977,158</u>	<u>\$976,822</u>	<u>\$504,187</u>	<u>\$ -</u>

**Custodial Credit Risk of Investments:** Custodial credit risk is the risk that the Museum and Historic Sites will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the Museum and Historic Sites, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Museum and Historic Sites’ name. The Museum and Historic Sites has no custodial credit risk on investments.

**Credit Risk:** To address credit risk, the Museum and Historic Sites has a policy that no greater than 5% of the total portfolio may be invested in corporate obligations whose rating by either Standard & Poor’s (S&P) or Moody’s Investor Services (Moody’s) is less than BBB or Baa, respectively. The following table provides information on the credit ratings associated with the Museum and Historic Sites’ investments at June 30, 2023:

	S&P	Fitch	Moody's	Fair Value
Money market funds	AAAm	AAAmmf	Aaa-mf	\$1,179,821
Corporate bonds	A+	A+	A1	64,863
	A+	NR	A1	24,310
	A+	A	A3	67,823
	A+	AA-	Aa2	96,618
	A	A	A2	94,143
U.S. government bonds	BBB+	A-	A2	47,919
	AA+	AAA	Aaa	<u>1,134,057</u>
Total Rated Investments				<u>\$2,709,554</u>

**Concentration of Credit Risk:** To address the concentration of credit risk the Museum and Historic Sites has implemented asset allocation targets and has a policy with respect to the corporate sector of the portfolio that no more than 25% of the portfolio may be invested in any one economic sector. At June 30, 2023, there were no concentrations of credit risk.

### NOTE 3 - FAIR VALUE MEASUREMENTS

The Museum and Historic Sites has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). 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.

The three levels of the fair value hierarchy are described as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum and Historic Sites has the ability to access.

**Level 2** – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Museum and Historic Sites makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Museum and Historic Sites for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2023.

**Mutual Fund Shares and Money Market Fund Shares:** Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

**Certificates of Deposit:** Valued by discounting cash flows based on interest rates of similar instruments with similar credit ratings and duration.

**Common Stocks and Exchange Traded Products:** Valued at the closing price reported on the active market on which the individual securities are traded.

**Corporate Bonds:** Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

**U.S. Government Bonds:** Valued using pricing models maximizing the use of observable inputs for similar securities.

**Charitable Remainder Trust:** The methodology used by the Museum and Historic Sites to determine the fair value of the beneficial interest in the charitable trust is discussed in Note 6.

**NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)**

For those assets and liabilities measured at fair value, management determines the fair value measurement policies and procedures in consultation with the Museum and Historic Sites’ Finance Committee. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum and Historic Sites’ management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets or liabilities could result in a different fair value measurement at the reporting date.

Following is a summary, within each level of the fair value hierarchy, of the Museum and Historic Sites’ assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash Equivalents:				
Money market fund shares	\$ 940,671			\$ 940,671
Certificates of deposit		\$7,335,050		7,335,050
Investments:				
Money market fund shares	239,150			239,150
Mutual funds	3,013,576			3,013,576
Equities	617,337			617,337
Exchanged traded products	1,735,424			1,735,424
Certificates of deposit		47,226		47,226
Corporate bonds		395,676		395,676
U.S. government bonds		<u>1,134,057</u>		<u>1,134,057</u>
Total Cash Equivalents and Investments	6,546,158	8,912,009		15,458,167
Beneficial interest in trust			<u>\$97,047</u>	<u>97,047</u>
Total Assets at Fair Value	<u>\$6,546,158</u>	<u>\$8,912,009</u>	<u>\$97,047</u>	<u>\$15,555,214</u>

At June 30, 2023, the Museum and Historic Sites had no other assets and no liabilities that are measured at fair value on a recurring basis.

**NOTE 4 - PROMISES TO GIVE**

Outstanding promises to give are receivable from individuals, corporations, and other organizations principally located in the Indianapolis metropolitan area. As of June 30, 2023, promises to give were scheduled to be collected as follows:

Year Ending June 30,	Pledges
2024	\$180,933

**NOTE 5 - CAPITAL ASSETS**

During its 1997 session, the Indiana General Assembly authorized the construction of the new Indiana State Museum at Indiana White River State Park (the Park). The museum complex was owned by the Indiana Finance Authority (IFA) through June 25, 2013, at which point the museum was transferred to the State. Funding for the building came primarily from bonds, which were repaid by State appropriations until the bonds were defeased on June 25, 2013. The Foundation raised private-sector funding for the exhibit programs. The Indiana State Museum, a showplace for Indiana’s cultural and natural history, opened in 2002 and features a three level, 65,000 square foot exhibit area. Approximately another 238,000 square feet contains office and storage areas and the IMAX Theater facility. As required by a court-ordered settlement, the original facade of School 5 was reconstructed by IFA and incorporated into the Indiana State Museum.

All real property related to the Museum and Historic Sites is held in title and owned by the State.

Capital asset activity for the year ended June 30, 2023 was as follows:

	<b>Beginning Balance</b>	<b>Transfers</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Capital assets, being depreciated:					
Furniture and equipment	\$ 1,796,333	\$ -	\$ -	\$ -	\$ 1,796,333
Less: Accumulated depreciation for furniture and equipment	<u>(1,726,792)</u>	<u>-</u>	<u>(18,133)</u>	<u>-</u>	<u>(1,744,925)</u>
Total Capital Assets, Being Depreciated, net	<u>\$ 69,541</u>	<u>\$ -</u>	<u>\$(18,133)</u>	<u>\$ -</u>	<u>\$ 51,408</u>

Depreciation expense for the year ended June 30, 2023, was included in the following functions:

Exhibition and other programming	\$ 7,708
Operations	<u>10,425</u>
Total Depreciation Expense	<u>\$18,133</u>

**NOTE 6 - SPLIT-INTEREST AGREEMENT**

The Museum and Historic Sites is a remainder beneficiary of a trust managed by a third-party trustee. The charitable remainder trust provides for the payment of distributions to the grantor or another designated beneficiary over the designated beneficiaries’ lifetimes. Upon the death of the designated beneficiaries, \$250,000 of the remaining assets has been designated for the Museum and Historic Sites. The Museum and Historic Sites’ beneficial interest in the trust was \$97,047 at June 30, 2023, which is held at present value discounted at 4.2% at June 30, 2023, and recorded as a noncurrent asset and deferred inflow of resources on the statement of net position.

**NOTE 7 - DONOR-RESTRICTED AND BOARD DESIGNATED ENDOWMENT**

The Museum and Historic Sites administers a donor-restricted and board designated endowment fund, which consisted of the following at June 30, 2023:

Endowment appreciation available for expenditures, reported as expendable restricted net position	\$1,852,744
Endowment principal, reported as nonexpendable restricted net position	956,920
Endowment appreciation available for expenditures, reported as expendable unrestricted net position	158,550
Endowment principal, reported as nonexpendable unrestricted net position	<u>1,121,084</u>
Total Donor-Restricted and Board Designated Endowment	<u>\$4,089,298</u>

Under State statute I.C. 30-2-12, the Museum and Historic Sites may appropriate for expenditures or accumulate so much of an endowment fund that the institution determines is prudent for the uses, benefits, purposes, and duration of the endowment fund, subject to the terms of the gift instrument.

The Museum and Historic Sites has a policy that distributions from the endowment in any calendar year shall not be greater than 5.5% of the average endowment market value over the trailing 20 quarters ending June 30 of the preceding year. It is expected that distributions will average 4%-5% over time.

For endowment assets that were either (a) received without restriction on the use of income or (b) assigned by the Board of Directors to the endowment, all earnings over the amount distributed to the Museum and Historic Sites in each year are retained by the endowment. If total returns for a year are less than the distributions for that year, then endowment assets will be liquidated to meet spending needs.

**NOTE 8 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES**

The Museum and Historic Sites nonoperating revenues and operating expenses include \$9,833,671 for the year ended June 30, 2023, of payments for salaries and fringe benefits paid on its behalf by the general fund of the State, which includes contributions made to the INPRS.

**NOTE 9 - BENEFIT PLANS**

**Plan Description**

The Museum and Historic Sites is a participating employer of the Public Employees' Hybrid plan (PERF Hybrid), and its employees are participating members. PERF Hybrid is part of the Public Employees' Retirement Fund (PERF) and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account.

PERF Hybrid is administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report, including PERF Hybrid, that may be obtained at <http://www.inprs.in.gov/>.

## NOTE 9 - BENEFIT PLANS (CONTINUED)

### **Public Employees' Defined Benefit Account**

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law.

#### **Eligibility for Pension Benefit Payment**

*Full Retirement Benefit:* A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

*Early Retirement Benefit:* A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

*Disability Benefit:* An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

*Survivor Benefit:* If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

#### **Contribution Rates**

Contributions are determined by the INPRS Board and are based on an actuarial valuation. Employers contribute 11.2% of covered payroll. No member contributions are required. The Museum and Historic Sites' contributions to PERF DB were \$732,591 for the year ended June 30, 2023.

#### **Benefit Formula and Postretirement Benefit Adjustment**

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of \$180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Museum and Historic Sites.

## NOTE 9 - BENEFIT PLANS (CONTINUED)

### Public Employees' Defined Contribution Account

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

#### **Contribution Rates**

Member contributions under PERF DC are set by statute and the Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Museum and Historic Sites made \$367,087 of contributions to PERF DC for the year ended June 30, 2023. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

#### **Benefit Terms**

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member's qualification for Social Security disability benefits. As of January 1, 2021, members at least 62 years of age with five qualifying years of service may take an in-service distribution of their DC account. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

### Significant Actuarial Assumptions

The total pension liability is determined using an actuarial valuation performed by INPRS actuaries, which involves estimates of the value of reported amounts (e.g., salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed.

INPRS completed an actuarial experience study in February 2020. Assumption changes were recommended to the INPRS Museum and Historic Sites and adopted in June 2020 for the June 30, 2020 actuarial valuations. Assumptions related to mortality rates were increased, retirement rates were decreased, and future salary increases were increased from the prior measurement date. No changes in methods were recommended or adopted.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Asset valuation date:	June 30, 2022
Liability valuation date and method:	June 30, 2021 - Member census data as of June 30, 2021 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2021 and June 30, 2022. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2021 to the June 30, 2022 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll

**NOTE 9 - BENEFIT PLANS (CONTINUED)**

Experience study date:	Period of five years ended June 30, 2019	
Investment rate of return:	6.25%	
COLA:	Beginning January 1, 2024 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%	
Future salary increases, including inflation:	2.65% - 8.65%	
Inflation:	2.00%	
Mortality – Healthy Employees and Retirees:	Base Table M/F Set Forward	PubG-2010 +3/+1
Mortality – Disabled:	Base Table Load	PubG-2010 140%
Mortality – Beneficiaries:	Base Table M/F Set Forward	PubCS-2010 +0/+2
Mortality – Improvement – All Tables:	Generational Improvement Scale – MP-2019	

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. To determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.25% selected by the INPRS Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

## NOTE 9 - BENEFIT PLANS (CONTINUED)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Geometric Basis Long-term Expected Real Rate of Return
Public equity	20.0%	3.6%
Private equity	15.0%	7.7%
Fixed income – Ex inflation-linked	20.0%	1.4%
Fixed income – Inflation-linked	15.0%	-0.3%
Commodities	10.0%	0.9%
Real estate	10.0%	3.7%
Absolute return	5.0%	2.1%
Risk parity	20.0%	3.8%
Cash and cash overlay	N/A	-1.7%

The net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the current discount rate of 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate:

1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
<u>\$4,951,289</u>	<u>\$2,930,856</u>	<u>\$1,245,668</u>

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At June 30, 2023, the Museum and Historic Sites reported a liability of \$2,930,856 for its proportionate share of the net pension liability. The Museum and Historic Sites' proportionate share of the net pension liability was based on the Museum and Historic Sites' wages as a proportion of total wages for PERF Hybrid. The proportionate share used at June 30, 2022 measurement date was 0.09293%.

For the year ended June 30, 2023, the Museum and Historic Sites recognized pension expense of \$185,425, which includes expense from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$374,749. At June 30, 2023, the Museum and Historic Sites reported deferred outflows of resources and deferred inflows of resources related to PERF DB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,200	\$ 11,146
Net differences between projected and actual earnings on pension plan investments	361,699	
Changes of assumptions	396,970	125,392

**NOTE 9 - BENEFIT PLANS (CONTINUED)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion and differences between the Museum and Historic Sites' contributions and proportionate share of contributions	<u>\$ 42,112</u>	<u>\$297,026</u>
Total that will be recognized in pension expense based on table below	863,981	433,564
Pension contribution subsequent to measurement date	<u>732,591</u>	<u>          </u>
Total	<u>\$1,596,572</u>	<u>\$433,564</u>

Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2023	\$ (41,848)
2024	137,529
2025	(47,873)
2026	<u>382,609</u>
	<u>\$430,417</u>

**NOTE 10 - DEFERRED COMPENSATION**

The Museum and Historic Sites participates in the State of Indiana Public Employees' Deferred Compensation Plan established in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees and employees of certain quasi-agencies and political subdivisions within the State, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of participants of the Plan and their beneficiaries as required by Section 457(g) of the Internal Revenue Code.

The State has established a deferred compensation committee that has the fiduciary responsibility for the Plans. The Committee holds the deferred amounts in expendable trusts.

**NOTE 11 - FOOD SERVICES CONTRACT**

The Museum and Historic Sites have a contract with a vendor to provide exclusive food service management to the restaurants at the Indiana State Museum and to provide catering services for events held at the Indiana State Museum through June 2023. Under the agreement, the Museum and Historic Sites receive a commission for a percentage of gross sales, which varies from 1.50% to 17.00% based on the venue, type of service being provided, and revenue generated.

**NOTE 11 - FOOD SERVICES CONTRACT (CONTINUED)**

The Museum and Historic Sites earned food commission of \$176,573 under the agreements in the year ended June 30, 2023.

**NOTE 12 - CONTINGENCIES**

During normal operations, the Museum and Historic Sites is subject to various claims and assessments. The range of loss, if any, from these potential claims cannot be reasonably estimated. However, the management of the Museum and Historic Sites believes the ultimate resolution of these matters will not have a material adverse impact on the Museum and Historic Sites' operations or net position.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION  
(A Component Unit of the State of Indiana)**

**SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (UNAUDITED)**

**PUBLIC EMPLOYEES' RETIREMENT FUND  
Last 10 Fiscal Years\***

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Corporation's proportion of the net pension liability	0.09293%	0.09075%	0.10512%	0.11078%	0.11196%	0.12206%	0.11612%	0.11239%	0.10052%
Corporation's proportionate share of the net pension liability	2,930,856	1,194,132	3,175,038	3,661,350	3,803,332	5,445,760	5,270,042	4,577,535	2,641,500
Corporation's covered-employee payroll	\$ 5,348,571	\$ 5,003,157	\$ 5,675,264	\$ 5,771,801	\$ 5,712,781	\$ 6,055,462	\$ 5,564,958	\$ 5,383,398	\$ 5,582,807
Corporation's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.80%	23.87%	55.95%	63.44%	66.58%	89.93%	94.70%	85.03%	47.31%
Plan fiduciary net position as a percentage of the total pension liability	82.50%	92.50%	81.40%	80.10%	78.90%	72.70%	71.20%	73.30%	81.10%

\*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2014 for GASB Statement No. 68 purposes.

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**SCHEDULE OF CORPORATION CONTRIBUTIONS (UNAUDITED)**

**PUBLIC EMPLOYEES' RETIREMENT FUND**  
**Last 10 Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 732,591	\$ 602,632	\$ 539,574	\$ 619,851	\$ 635,524	\$ 636,061	\$ 790,589	\$ 633,529	\$ 621,755	\$ 625,274
Contributions in relation to the contractually required contribution	<u>732,591</u>	<u>602,632</u>	<u>539,574</u>	<u>619,851</u>	<u>635,524</u>	<u>636,061</u>	<u>790,589</u>	<u>633,529</u>	<u>621,755</u>	<u>625,274</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Corporation's covered-employee payroll	\$ 6,540,991	\$ 5,348,571	\$ 5,003,157	\$ 5,675,264	\$ 5,771,801	\$ 5,712,781	\$ 6,055,462	\$ 5,564,958	\$ 5,383,398	\$ 5,582,807
Contributions as a percentage of covered-employee payroll	11.2%	11.3%	10.8%	10.9%	11.0%	11.1%	13.1%	11.4%	11.5%	11.2%

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**June 30, 2023**

**SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)**

**Plan Amendments:** In 2022, there were no changes to the plan provisions during the fiscal year.

**Assumption Changes:** In 2022, there were no changes to the actuarial assumptions during the fiscal year.

**SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS (UNAUDITED)**

**Methods Used in Calculating Contributions:** Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board may update the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. There have been no changes in the percentage of covered payroll used since 2015.

**Trends:** There were no factors that significantly affected trends in contributions to the Plan.

## **OTHER SUPPLEMENTARY INFORMATION**

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**COMBINING SCHEDULE - STATEMENT OF NET POSITION INFORMATION**  
**June 30, 2023**

	<b>Corporation</b>	<b>Foundation</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and equivalents	\$ 3,260,406	\$ 7,915,823	\$ 11,176,229
Accounts receivable	1,700		1,700
Promises to give, net		180,933	180,933
Prepaid expenses	67,904		67,904
Short-term investments		879,720	879,720
Inventory	231,979		231,979
Total Current Assets	<u>3,561,989</u>	<u>8,976,476</u>	<u>12,538,465</u>
<b>NONCURRENT ASSETS</b>			
Investments		2,718,062	2,718,062
Restricted cash and investments		3,584,664	3,584,664
Beneficial interest in trust		97,047	97,047
Capital assets, net	51,408		51,408
Total Noncurrent Assets	<u>51,408</u>	<u>6,399,773</u>	<u>6,451,181</u>
<b>TOTAL ASSETS</b>	<u>3,613,397</u>	<u>15,376,249</u>	<u>18,989,646</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,596,572</u>	<u>-</u>	<u>1,596,572</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	212,162		212,162
Accrued liabilities	3,716		3,716
Deferred revenue	143,539		143,539
Total Current Liabilities	<u>359,417</u>	<u>-</u>	<u>359,417</u>
<b>NONCURRENT LIABILITIES</b>			
Pension liability	2,930,856		2,930,856
Total Noncurrent Liabilities	<u>2,930,856</u>	<u>-</u>	<u>2,930,856</u>
Total Liabilities	<u>3,290,273</u>	<u>-</u>	<u>3,290,273</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow of resources related to beneficial interest in trust		97,047	97,047
Deferred inflow of resources related to pensions	433,564		433,564
Total Deferred Inflows of Resources	<u>433,564</u>	<u>97,047</u>	<u>530,611</u>
<b>NET POSITION</b>			
Net investment in capital assets	51,408		51,408
Restricted, expendable	3,395,633	11,346,633	14,742,266
Restricted, nonexpendable		956,920	956,920
Unrestricted	(1,960,909)	2,975,649	1,014,740
<b>TOTAL NET POSITION</b>	<u>\$ 1,486,132</u>	<u>\$ 15,279,202</u>	<u>\$ 16,765,334</u>

**INDIANA STATE MUSEUM AND HISTORIC SITES CORPORATION**  
**(A Component Unit of the State of Indiana)**

**COMBINING SCHEDULE - STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION INFORMATION**  
**Year Ended June 30, 2023**

	<b>Corporation</b>	<b>Foundation</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Visitor activities:			
Admissions	\$ 699,970		\$ 699,970
Facility rental	415,770		415,770
Food commission	176,573		176,573
IMAX commission	11,728		11,728
Museum store	310,938		310,938
Memberships		\$ 281,907	281,907
Educational program fees	347,577		347,577
Other:			
Collection fees	16,414		16,414
Sponsorships	2,750	58,190	60,940
Artifact acquisition	78,000		78,000
Total Operating Revenues	2,059,720	340,097	2,399,817
<b>OPERATING EXPENSES</b>			
Administration	1,590,965		1,590,965
Operations	2,483,918		2,483,918
Exhibition and other programming	3,878,252		3,878,252
Development	549,923	6,007	555,930
Marketing	1,181,203		1,181,203
Historic sites	2,611,821		2,611,821
Restricted projects	2,955,164		2,955,164
Total Operating Expenses	15,251,246	6,007	15,257,253
Net Operating Income (Loss)	(13,191,526)	334,090	(12,857,436)
<b>NONOPERATING REVENUES</b>			
State general fund appropriations	9,833,671		9,833,671
State appropriations for preventative maintenance	574,687		574,687
State appropriations for capital repair and rehab	1,210,300		1,210,300
Unrestricted contributions	121,375	195,710	317,085
Grants		2,553,179	2,553,179
Restricted gifts		4,634,144	4,634,144
Lincoln license plates	46,425		46,425
Interest and dividend income and net appreciation	9,720	517,633	527,353
Total Nonoperating Revenues	11,796,178	7,900,666	19,696,844
<b>NONOPERATING EXPENSES</b>			
Preventative maintenance	907,463		907,463
Capital repair and rehab	588,486		588,486
Total Nonoperating Expenses	1,495,949	-	1,495,949
Net Nonoperating Income	10,300,229	7,900,666	18,200,895
Increase (Decrease) in Net Position before Transfers	(2,891,297)	8,234,756	5,343,459
<b>TRANSFERS</b>			
From Foundation to Corporation	3,880,596	(3,880,596)	
Total Transfers	3,880,596	(3,880,596)	-
<b>INCREASE IN NET POSITION</b>	989,299	4,354,160	5,343,459
<b>NET POSITION</b>			
Beginning of Year	496,833	10,925,042	11,421,875
End of Year	\$ 1,486,132	\$ 15,279,202	\$ 16,765,334

## **OTHER REPORT**

*Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards*

Board of Trustees  
Indiana State Museum and Historic Sites Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Indiana State Museum and Historic Sites Corporation (the Museum and Historic Sites), a component unit of the State of Indiana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Museum and Historic Sites's basic financial statements, and have issued our report thereon dated October 16, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Museum and Historic Sites' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum and Historic Sites' internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum and Historic Sites' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum and Historic Sites's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
October 16, 2023