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November 7, 2019


Board of Directors
Museums of Prophetstown, Inc.
PO Box 331
Battle Ground, IN 47920

We have reviewed the audit report of Museums of Prophetstown, Inc. which was opined upon by Huth Thompson LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2017. Per the *Independent Auditor's Report*, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements included in the report present fairly the financial condition of Museums of Prophetstown, Inc. as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Basis for Qualified Opinion in the audit report.

In our opinion, Huth Thompson LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

Financial Statement

**THE MUSEUMS AT
PROPHETSTOWN, INC.**

**d/b/a THE FARM AT PROPHETSTOWN,
INC.**

DECEMBER 31, 2017, 2016 and 2015

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
The Museums at Prophetstown, Inc.
d/b/a The Farm at Prophetstown, Inc.
Battle Ground, Indiana**

We have audited the accompanying financial statements of The Museums at Prophetstown, Inc. d/b/a The Farm at Prophetstown, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, 2016, and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 misstatement 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 qualified audit opinion for the 2017, 2016, and 2015 audits.

Basis for Qualified Opinion

No accounting internal controls were exercised over cash collections at the Organization in 2017, 2016, or 2015 for contributions, special events, and school programs and tours. We were unable to obtain sufficient appropriate audit evidence about the amounts recognized for the contributions, special events, school programs and tours, and temporarily and permanently restricted net assets for the years ended December 31, 2017, 2016, and 2015, because there was a lack of segregation of duties around the related accounting internal controls. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Museums at Prophetstown, Inc. d/b/a The Farm at Prophetstown, Inc. as of December 31, 2017, 2016, and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Huth Thompson LLP

October 18, 2018
Lafayette, Indiana

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**STATEMENTS OF FINANCIAL POSITION
As of December 31,**

	2017	2016	2015
ASSETS			
CURRENT ASSETS			
Cash	\$ 129,464	\$ 79,568	\$ 64,673
Accounts Receivable	23,457	17,574	24,139
Prepaid and Other Assets	2,193	4,300	699
Inventories	929	571	838
TOTAL CURRENT ASSETS	156,043	102,013	90,349
PROPERTY, PLANT AND EQUIPMENT			
Buildings and Improvements	2,559,360	2,568,256	2,557,072
Land Improvements	228,669	228,669	228,669
Equipment, Furniture and Fixtures	124,222	121,878	115,832
Vehicles	23,091	23,091	23,091
Adjustment to Equate to Net	(259,657)	(259,657)	(260,307)
	2,675,685	2,682,237	2,664,357
Accumulated Depreciation	(2,170,393)	(2,071,493)	(1,965,570)
PROPERTY, PLANT, AND EQUIPMENT, Net	505,292	610,744	698,787
OTHER ASSETS			
Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	110,281	100,943	96,463
	\$ 771,616	\$ 813,700	\$ 885,599
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current Maturities of Long-Term Debt	\$ 3,569	\$ 9,935	\$ 12,242
Accounts Payable	490	-	-
Deferred Revenue	2,450	2,500	1,600
Accrued Payroll	6,955	6,035	4,270
TOTAL CURRENT LIABILITIES	13,464	18,470	18,112
LONG-TERM DEBT, Less Current Maturities	48,826	52,420	62,173
TOTAL LIABILITIES	62,290	70,890	80,285
NET ASSETS			
Unrestricted, Undesignated	563,422	622,907	686,411
Temporarily Restricted	27,001	1,000	-
Permanently Restricted	118,903	118,903	118,903
	709,326	742,810	805,314
	\$ 771,616	\$ 813,700	\$ 885,599

See Notes to Financial Statements.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**STATEMENTS OF ACTIVITIES
For the Years Ended December 31,**

	2017				2016				2015			
	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
REVENUE AND SUPPORT												
Public Support--												
Contribution Income	\$ 66,861	\$ 6,021	\$ 60,840	\$ -	\$ 3,249	\$ 2,249	\$ 1,000	\$ -	\$ 5,400	\$ 5,400	\$ -	\$ -
Appropriations--												
Hotel/Motel	259,086	259,086	-	-	249,656	249,656	-	-	234,988	234,988	-	-
Grants	918	918	-	-	2,148	2,148	-	-	-	-	-	-
Special Events	13,740	13,740	-	-	16,808	16,808	-	-	4,137	4,137	-	-
In-Kind Contributions	-	-	-	-	13,085	13,085	-	-	-	-	-	-
Program Services--												
Admissions	23,863	23,863	-	-	16,770	16,770	-	-	18,433	18,433	-	-
School Tours and Programs	34,233	34,233	-	-	29,649	29,649	-	-	15,403	15,403	-	-
Membership Dues and Gifts	5,150	5,150	-	-	3,220	3,220	-	-	3,765	3,765	-	-
Increase (Decrease) in Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	9,338	-	9,338	-	4,480	-	4,480	-	(9,709)	-	(9,709)	-
Other Income	4,430	4,430	-	-	4,374	4,374	-	-	36,152	36,152	-	-
(Loss) on Disposal of Assets	-	-	-	-	(2,966)	(2,966)	-	-	-	-	-	-
Net Assets Released from Restrictions	-	44,177	(44,177)	-	-	-	-	-	-	-	-	-
Restoration of Underwater Endowment Funds	-	-	-	-	-	4,480	(4,480)	-	-	(9,709)	9,709	-
TOTAL REVENUE AND SUPPORT	417,619	391,618	26,001	-	340,473	339,473	1,000	-	308,569	308,569	-	-
EXPENSES												
Program Services	57,270	57,270	-	-	55,066	55,066	-	-	21,200	21,200	-	-
Management and General	393,833	393,833	-	-	347,911	347,911	-	-	299,336	299,336	-	-
Fundraising	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	451,103	451,103	-	-	402,977	402,977	-	-	320,536	320,536	-	-
INCREASE (DECREASE) IN NET ASSETS	(33,484)	(59,485)	26,001	-	(62,504)	(63,504)	1,000	-	(11,967)	(11,967)	-	-
NET ASSETS--Beginning of Year, as Restated	742,810	622,907	1,000	118,903	805,314	686,411	-	118,903	817,281	698,378	-	118,903
NET ASSETS--End of Year	\$ 709,326	\$ 563,422	\$ 27,001	\$ 118,903	\$ 742,810	\$ 622,907	\$ 1,000	\$ 118,903	\$ 805,314	\$ 686,411	\$ -	\$ 118,903

See Notes to Financial Statements.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31,**

	2017			
	Total	Management and General	Program Services	Fundraising
Payroll Expense	\$ 192,451	\$ 55,000	\$ 137,451	\$ -
Depreciation Expense	129,811	-	129,811	-
Program Expense	25,911	1,770	24,141	-
Supplies Expense	25,643	-	25,643	-
Repairs and Maintenance	24,979	-	24,979	-
Utilities	12,180	-	12,180	-
Insurance	9,213	-	9,213	-
Miscellaneous	8,797	-	8,797	-
Service Contracts Expense	6,487	-	6,487	-
Telephone	5,630	-	5,630	-
Travel and Entertainment	2,160	-	2,160	-
Advertising Expense	1,975	-	1,975	-
Printing and Reproduction	1,756	-	1,756	-
Supplies	1,550	-	1,550	-
Postage	1,065	-	1,065	-
Special Events Expense	760	500	260	-
Dues and Subscriptions	295	-	295	-
Computer/Website Support	199	-	199	-
Interest Expense	159	-	159	-
Catering Expense	62	-	62	-
Rental and Lease Expense	20	-	20	-
	\$ 451,103	\$ 57,270	\$ 393,833	\$ -

(Continued on Page 6)

See Notes to Financial Statements.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31,
(Continued from Page 5)**

	2016			
	Total	Management and General	Program Services	Fundraising
Payroll Expense	\$ 164,121	\$ 50,000	\$ 114,121	\$ -
Depreciation Expense	126,473	-	126,473	-
Program Expense	9,511	2,125	7,386	-
Supplies Expense	22,061	-	22,061	-
Repairs and Maintenance	24,137	-	24,137	-
Utilities	9,998	-	9,998	-
Insurance	12,580	-	12,580	-
Miscellaneous	6,591	-	6,591	-
Service Contracts Expense	13,224	-	13,224	-
Telephone	5,542	-	5,542	-
Travel and Entertainment	1,277	-	1,277	-
Advertising Expense	355	-	355	-
Printing and Reproduction	2,603	2,545	58	-
Supplies	811	-	811	-
Postage	101	-	101	-
Special Events Expense	396	396	-	-
Dues and Subscriptions	45	-	45	-
Computer/Website Support	2,387	-	2,387	-
Interest Expense	729	-	729	-
Rental and Lease Expense	35	-	35	-
	\$ 402,977	\$ 55,066	\$ 347,911	-

(Continued on Page 7)

See Notes to Financial Statements.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31,
(Continued from Page 6)**

	2015			
	Total	Management and General	Program Services	Fundraising
Payroll Expense	\$ 103,076	\$ 21,000	\$ 82,076	\$ -
Depreciation Expense	125,443	-	125,443	-
Program Expense	1,966	-	1,966	-
Supplies Expense	13,962	-	13,962	-
Repairs and Maintenance	8,951	-	8,951	-
Utilities	10,027	-	10,027	-
Insurance	6,568	-	6,568	-
Miscellaneous	6,075	-	6,075	-
Service Contracts Expense	35,156	-	35,156	-
Telephone	4,926	-	4,926	-
Travel and Entertainment	176	-	176	-
Advertising Expense	34	-	34	-
Printing and Reproduction	795	-	795	-
Supplies	1,630	-	1,630	-
Postage	152	-	152	-
Dues and Subscriptions	428	-	428	-
Computer/Website Support	90	-	90	-
Interest Expense	881	-	881	-
Rental and Lease Expense	200	200	-	-
	\$ 320,536	\$ 21,200	\$ 299,336	\$ -

See Notes to Financial Statements.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**STATEMENTS OF CASH FLOWS
For the Years Ended December 31,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
(Decrease) in Net Assets	\$ (33,484)	\$ (62,504)	\$ (11,967)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash Provided by Operating Activities--			
Depreciation	129,811	126,473	125,443
Loss on Disposal of Assets	-	2,966	-
(Increase) Decrease in Assets--			
Accounts Receivable	(5,883)	6,565	(6,593)
Prepaid Expenses	2,107	(3,601)	(699)
Inventory	(358)	267	473
Increase (Decrease) in Liabilities--			
Accounts Payable	490	-	(10,842)
Deferred Revenue	(50)	900	1,600
Accrued Expenses	<u>920</u>	<u>1,765</u>	<u>(68,872)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	93,553	72,831	28,543
CASH FLOWS FROM INVESTING ACTIVITIES			
Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	(9,338)	(4,480)	9,709
Purchase of Property and Equipment	<u>(24,359)</u>	<u>(41,396)</u>	<u>(28,475)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(33,697)	(45,876)	(18,766)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on Long-Term Debt	<u>(9,960)</u>	<u>(12,060)</u>	<u>(14,077)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	(9,960)	(12,060)	(14,077)
INCREASE (DECREASE) IN CASH	49,896	14,895	(4,300)
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>79,568</u>	<u>64,673</u>	<u>68,973</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 129,464</u>	<u>\$ 79,568</u>	<u>\$ 64,673</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash Paid During the Year for--			
Interest	\$ 1,756	\$ 355	\$ 176

See Notes to Financial Statements.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of The Museums at Prophetstown, Inc. d/b/a The Farm at Prophetstown, Inc.'s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

- A) **Nature of Organization and Operations**--The Museums at Prophetstown, Inc. d/b/a The Farm at Prophetstown, Inc. (the Organization) was formed in October 1995 as a not-for-profit corporation located in Lafayette, Indiana. The Organization is dedicated to preserving and interpreting Woodland Native American and Wabash Valley agricultural history, culture and traditions, to restoring examples of Indiana's prairie and savanna ecosystems, and to sharing these treasures through educational experiences and cultural programs. The Organization is located on a 92 acre campus near Battle Ground, Indiana.
- B) **Use of Estimates**--The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Actual results could differ from those estimates.
- C) **Cash Equivalents**--For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2017, 2016, and 2015.
- D) **Receivables**--Receivables consists of appropriations. Uncollectible receivables are charged to bad debt expense when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.
- E) **Property and Equipment**--The Organization capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are stated at cost less accumulated depreciation. If donated, the cost is the fair market value at the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. Maintenance, repairs and minor renewals are charged to operations as incurred. Improvements and major renewals are capitalized. Upon sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to operations. Depreciation expense was \$129,811, \$126,473, and \$125,443 for the year ended December 31, 2017, 2016, and 2015, respectively.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

- F) **Inventories**--Inventories consist of gift shop merchandise and are valued at the lower of cost or market with cost determined by the first-in-first-out (FIFO) method.
- G) **Deferred Revenue**--Deferred Revenue consists of memberships paid in advance for the next year which have not been earned. Such amounts are recognized as income over the twelve month period to which they relate.
- H) **Contributions**--Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

- I) **Net Assets**--In accordance with FASB Accounting Standards Codification (Accounting Standards), the net assets of the Organization are reported in each of the following three classes:
 - 1) ***Unrestricted Net Assets***--Net assets that are not subject to donor-imposed stipulations.
 - 2) ***Temporarily Restricted Net Assets***--Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Additionally, in accordance with Accounting Standards, excess income from donor endowment funds are classified as temporarily restricted net assets until appropriated by the Board of Directors for expenditure.
 - 3) ***Permanently Restricted Net Assets***--Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

- I) **Net Assets (Continued)**--All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the restriction even if the restriction is met in the same period. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.
- J) **Income Taxes**--The Organization is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and state income taxes under the Indiana General Not-for-Profit Act.

Accounting Standards require entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years 2014 through 2017 remain open and are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters, and therefore has not recorded any unrecognized tax benefits or liabilities. The Organization is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

- K) **Donated Goods and Services**--The Organization records various types of in-kind support including property and equipment, professional services, and materials. Property and equipment donated are capitalized on the basis explained in Note 1E. Contributed professional services are recognized if the services either create or enhance long-lived assets or require specialized skills and would typically need to be purchased if not provided by the donation. Contributions of supplies and materials are recognized at fair market value when received. In-kind contributions were \$-0-, \$13,085, and \$-0- for the years ended December 31, 2017, 2016, and 2015, respectively.

The Organization also receives significant donations of time from volunteers that do not meet the two recognized criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the financial statements.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

- L) **Collections**--Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as expenses when purchased. Contributions of collection items are not recognized in the statement of activities. Proceeds from sales or insurance recoveries are reflected in the statement of activities based on the absence or existence and nature of donor-imposed restrictions. In prior years, the Organization acquired an art collection known as the "Tarvin Art Collection". Collections are acquired, cared for, and interpreted with sensitivity to their cultural origins. Part of the Tarvin Art Collection is on display at a museum and the remaining collection is located in a storage facility. No items were deaccessioned during the years ended December 31, 2017, 2016, and 2015. The Tarvin Art Collection is not significant to the Organization's activities.
- M) **Other Income**--Other Income in 2015 consists of forgiveness of various liabilities that existed at December 31, 2014, including portions of accounts payable, accrued payroll, and long-term debt.
- N) **Functional Allocation of Expenses**--The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

NOTE 2: APPROPRIATIONS

The State of Indiana appropriates to the Organization not less than 10% of the money received from the Tippecanoe County Innkeeper's Tax. As of December 31, 2017, 2016, and 2015, \$23,142, \$17,323, and \$18,423, respectively, was owed to the Organization for the innkeeper's tax collected and not yet distributed to the Organization, respectively.

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

NOTE 3: BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION OF GREATER LAFAYETTE

During 2000, the Organization transferred irrevocably \$75,000 to The Community Foundation of Greater Lafayette (the Foundation) and created an Agency Fund Endowment to solely benefit the Organization. The Foundation is granted variance power in the endowment agreement. The Organization contributed an additional \$32,200 from 2005 to 2014 to the endowment as per donors' instructions. On an annual basis, the Organization receives income distributions from the fund held at the Foundation. While this endowment is treated as a quasi-endowment between the Organization and the Foundation, these funds were permanently endowed by donors to the Organization, and the principal portion of the funds received from donors must be held in perpetuity. As of December 31, 2017, 2016, and 2015, the Organization has recorded a beneficial interest in assets held by the Foundation in the amount of \$110,281, \$100,943, and \$96,463, respectively.

As of December 31, 2015 and 2016, the market value of the Organization's beneficial interest fell below the historic gift value. As of December 31, 2017, the beneficial interest in assets held by the Foundation was adequately funded. The following table shows the net deficit of the Organization's beneficial interest.

<u>December 31, 2017</u>	<u>Historic Gift Value</u>	<u>Market Value</u>	<u>Deficit</u>
Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	<u>\$ 107,200</u>	<u>\$ 110,281</u>	<u>\$ 3,081</u>
<u>December 31, 2016</u>			
Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	<u>\$ 107,200</u>	<u>\$ 100,943</u>	<u>\$ (6,257)</u>
<u>December 31, 2015</u>			
Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	<u>\$ 107,200</u>	<u>\$ 96,463</u>	<u>\$ (10,737)</u>

**THE MUSEUMS AT PROPHETSTOWN, INC.
d/b/a THE FARM AT PROPHETSTOWN, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

NOTE 4: LONG-TERM DEBT

Long-term debt consists of the following as of December 31:

	2017	2016	2015
Note Payable to the Foundation, unsecured semi-annual payments of \$4,665, including interest at 5% through December 2010. Beginning January 2011, annual payments of \$4,617, including interest at 2% through December 2030. Principal due December 2030.	\$ 52,395	55,895	59,169
Note Payable to Farmers State Bank, monthly payments of \$730, including 6.25% interest. Maturity date is September 2017	-	6,460	15,246
	52,395	62,355	74,415
Less: Current Maturities	(3,569)	(9,935)	(12,242)
	\$ 48,826	\$ 52,420	\$ 62,173

Maturities of long-term debt for the years ending December 31, 2017, are as follows:

2018	\$	3,569
2019		3,640
2020		3,713
2021		3,788
2022		3,863
Thereafter		33,822
		\$ 52,395

Total interest expense was \$159, \$729, and \$881 for the years ended December 31, 2017, 2016, and 2015, respectively.

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

NOTE 5: RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following funds as of December 31,:

	2017	2016	2015
Endowment Funds	\$ 118,903	\$ 118,903	\$ 118,903

Temporarily restricted net assets consisted of the following funds as of December 31,:

	2017	2016	2015
Purpose Restrictions--			
Tenant House	\$ 22,120	\$ 1,000	\$ -
Endowment Funds	3,081	-	-
Blacksmith Museum	1,800	-	-
	\$ 27,001	\$ 1,000	\$ -

Included in cash and beneficial interest in assets held by the Community Foundation of Greater Lafayette are temporary and permanent restrictions of \$145,904, \$119,903, and \$118,903 as of December 31, 2017, 2016 and 2015, respectively.

NOTE 6: LEASE AGREEMENTS

The Organization leases land of approximately 92 acres for no monetary value from the State of Indiana through the Department of Natural Resources. The estimated fair-rental value of the property has not been reflected in the financial statements. The lease is set to renew again on July 2027. Either party to this land lease can terminate the lease with a 90-day notice in advance of the renewal date of the lease. Upon termination of the lease, title to all land improvements and structures transfer to the State of Indiana Department of Natural Resources.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 7: FAIR VALUE MEASUREMENTS

The Organization follows Accounting Standards which provides a framework for measuring fair value. Accounting Standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Accounting Standards requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting Standards also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) **Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources.**
- B) **Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and**
- C) **Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.**

Assets itemized below were measured at fair value during the years ended December 31, 2017, 2016, and 2015. The market and income approach was used for Level 2 inputs.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using Level 3 inputs are primarily valued using managements assumptions about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

NOTE 7: FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2017, 2016, and 2015, are as follows:

	<u>Fair Value Measurements at Reporting Date Using:</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets/ Liabilities Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Other Unobservable Inputs Level 3</u>
<u>December 31, 2017</u>				
Financial Assets--Recurring Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	<u>\$ 110,281</u>	<u>\$ -</u>	<u>\$ 110,281</u>	<u>\$ -</u>
<u>December 31, 2016</u>				
Financial Assets--Recurring Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	<u>\$ 100,943</u>	<u>\$ -</u>	<u>\$ 100,943</u>	<u>\$ -</u>
<u>December 31, 2015</u>				
Financial Assets--Recurring Beneficial Interest in Assets Held by The Community Foundation of Greater Lafayette	<u>\$ 96,463</u>	<u>\$ -</u>	<u>\$ 96,463</u>	<u>\$ -</u>

NOTE 8: ENDOWMENT

Accounting Standards provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (the Act). As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8: ENDOWMENT (Continued)

Interpretation of Relevant Law

The Organization has interpreted 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 Organization 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 the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization 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 Organization
- (7) The investment policies of the Organization

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8: ENDOWMENT (Continued)

For the year ended December 31, 2017, the Organization had the following endowment related activities:

<u>2017</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 118,903
Investment Return:		
Investment Income	4,249	-
Net Appreciation (Depreciation), Realized and Unrealized	<u>11,534</u>	<u>-</u>
Total Investment Return	15,783	-
Appropriation of Endowment Assets for Expenditure	(6,445)	-
Other Changes:		
Restoration of Donor-Restricted Endowment funds with Deficiencies at December 31, 2016	(6,257)	-
Reclassification of Donor-Restricted Endowment Funds with Deficiencies at December 31, 2017	<u>-</u>	<u>-</u>
Endowment Net Assets, End of Year	<u>\$ 3,081</u>	<u>\$ 118,903</u>
Endowment Fund Net Assets by Type of Funds as of December 31, 2017		
Donor-Restricted Endowment Funds	<u>\$ 3,081</u>	<u>\$ 118,903</u>

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8: ENDOWMENT (Continued)

For the year ended December 31, 2016, the Organization had the following endowment related activities:

2016	Temporarily Restricted	Permanently Restricted
Endowment Net Assets, Beginning of Year	\$ -	\$ 118,903
Investment Return:		
Investment Income	3,279	-
Net Appreciation (Depreciation), Realized and Unrealized	7,650	-
Total Investment Return	10,929	-
Appropriation of Endowment Assets for Expenditure	(6,449)	-
Other Changes:		
Restoration of Donor-Restricted Endowment funds with Deficiencies at December 31, 2015	(10,737)	-
Reclassification of Donor-Restricted Endowment Funds with Deficiencies at December 31, 2016	6,257	-
Endowment Net Assets, End of Year	\$ -	\$ 118,903
Endowment Fund Net Assets by Type of Funds as of December 31, 2016		
Donor-Restricted Endowment Funds	\$ -	\$ 118,903

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 8: ENDOWMENT (Continued)

For the year ended December 31, 2015, the Organization had the following endowment related activities:

2015	Temporarily Restricted	Permanently Restricted
Endowment Net Assets, Beginning of Year	\$ -	\$ 118,903
Investment Return:		
Investment Income	3,692	-
Net Appreciation (Depreciation), Realized and Unrealized	(7,012)	-
Total Investment Return	(3,320)	-
Appropriation of Endowment Assets for Expenditure	(6,389)	-
Other Changes:		
Restoration of Donor-Restricted Endowment funds with Deficiencies at December 31, 2014	(1,028)	-
Reclassification of Donor-Restricted Endowment Funds with Deficiencies at December 31, 2015	10,737	-
Endowment Net Assets, End of Year	\$ -	\$ 118,903
Endowment Fund Net Assets by Type of Funds as of December 31, 2015		
Donor-Restricted Endowment Funds	\$ -	\$ 118,903

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

NOTE 8: 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 or UPMIFA requires the Organization to retain as a fund of perpetual duration.

As of December 31, 2015, \$1,028 was transferred from temporarily restricted net assets to restore unrestricted net assets due to deficiencies of this nature that were reported as of December 31, 2014. Deficiencies of this nature reported as of December 31, 2015, were \$10,737.

As of December 31, 2016, \$10,737 was transferred from temporarily restricted net assets to restore unrestricted net assets due to deficiencies of this nature that were reported as of December 31, 2015. Deficiencies of this nature reported as of December 31, 2016, were \$6,257.

These deficiencies resulted from unfavorable market fluctuations that occurred.

As of December 31, 2017, \$6,257 was transferred from temporarily restricted net assets to restore unrestricted net assets due to deficiencies of this nature that were reported as of December 31, 2016. As of December 31, 2017, the donor-restricted endowment fund was adequately funded.

Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives

The Organization has not adopted investment and spending policies for endowment assets. The Organization maintains its endowment with The Community Foundation of Greater Lafayette and allows the Foundation to determine the investment strategy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Income received from the Endowment Fund is used to reduce the note payable balance with the Foundation as approved by management.

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015**

NOTE 9: ECONOMIC DEPENDENCE

In 2017, 2016, and 2015, the Organization is economically dependent on the Tippecanoe County Innkeeper's Tax. Funding from this source approximates 62%, 72%, and 76% of the Organization's total revenue and support, respectively.

NOTE 10: RESTATEMENT

The following accounts of the Organization were restated as of December 31, 2014, to correct the balances of temporarily restricted net assets.

<u>Account</u>	<u>As Originally Reported</u>	<u>Restatement</u>	<u>Restated Amounts</u>
Unrestricted Net Assets	681,772	16,606	698,378
Temporarily Restricted Net Assets	16,606	(16,606)	-

NOTE 11: CONTINGENCIES

A lawsuit arising in the normal conduct of business was pending as of December 31, 2017. This lawsuit was subsequently dismissed in 2018.

NOTE 12: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 18, 2018, the date which the financial statements were available to be issued.