IVY TECH FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2018 and 2017

IVY TECH FOUNDATION, INC.

CONTENTS

Independent Auditors' Report

Board of Directors
Ivy Tech Foundation, Inc.

We have audited the accompanying consolidated financial statements of Ivy Tech Foundation, Inc. (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance From Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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An Affiliate of
KSM Business Services, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ivy Tech Foundation, Inc. as of June 30, 2018 and 2017, 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 27, 2018

IVY TECH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and equivalents	$ 5,272,783	$ 6,520,756
Investments	17,648,071	16,721,652
Pledges receivable	11,952,799	9,404,543
Prepaid expenses and other assets	401,500	970,614
Property and equipment, net	49,235,459	52,947,283
Receivable from related party	162,051	1,167,801
Net investment in direct financing lease with related party	5,461,870	5,881,644
Note receivable from bank	23,510,509	23,510,509
Beneficial interest in trusts	236,289	209,880
Assets restricted for permanent endowment	32,679,088	31,513,630
TOTAL ASSETS	$ 146,560,419	$ 148,848,312
LIABILITIES		
Accounts payable and accrued expenses	$ 1,079,152	$ 1,175,195
Accounts payable - related party	611,834	1,200,780
Lines of credit borrowings	1,664,255	2,712,407
Interest rate swap liability	161,356	248,195
Notes payable and capital lease obligation, net	46,054,476	47,108,516
Other liabilities	363,378	369,794
Total Liabilities	49,934,451	52,814,887
NET ASSETS		
Unrestricted	8,928,349	7,984,330
Restricted:		
Temporarily restricted	55,018,531	56,535,465
Permanently restricted	32,679,088	31,513,630
Total Restricted	87,697,619	88,049,095
Total Net Assets	96,625,968	96,033,425
TOTAL LIABILITIES AND NET ASSETS	$ 146,560,419	$ 148,848,312

See accompanying notes.

IVY TECH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND SUPPORT				
Contributions:				
Cash and pledges	$ 806,240	$ 4,731,300	$ 839,379	$ 6,376,919
College assistance for property	500,000	923,332		1,423,332
Non-cash		800,772		800,772
Grant revenue		4,767,906		4,767,906
Total Contributions	1,306,240	11,223,310	839,379	13,368,929
In-kind contributed operational services	3,485,087			3,485,087
Investment income	1,335,411	2,081,956	32,554	3,449,921
Vending and royalty income	663,502	1,906		665,408
Special events income (loss), net of expenses of $444,785 in 2018 and $628,188 in 2017	(8,733)	368,593	110,250	470,110
Real estate rental income	2,193,180			2,193,180
Gain (loss) on sale of property and equipment		314,583		314,583
Uncollectible pledges	(1,231)	(45,975)		(47,206)
Miscellaneous revenue	29,192	20,462		49,654
	9,002,648	13,964,835	982,183	23,949,666
Net assets released from restrictions	15,298,494	(15,298,494)		
Reclassification of donor intent		(183,275)	183,275	
Total Revenue, Gains and Support	24,301,142	(1,516,934)	1,165,458	23,949,666
EXPENSES				
Financial aid to students	3,888,522			3,888,522
Building improvements, supplies and equipment	5,509,535			5,509,535
Faculty and staff development	137,753			137,753
Special programs	1,682,169			1,682,169
Community outreach/promotional expense	1,145,699			1,145,699
Donations to Ivy Tech Community College	291,973			291,973
Donated property to Ivy Tech Community College				
In-kind expense	1,009,389			1,009,389
Real estate expenses	4,964,830			4,964,830
Other program expenses	51,687			51,687
Total College Assistance Program Expenses	18,681,557			18,681,557
Administrative expenses	1,873,120			1,873,120
Fundraising expenses	2,889,285			2,889,285
Total Expenses	23,443,962			23,443,962
INCREASE (DECREASE) IN NET ASSETS BEFORE GAIN ON INTEREST RATE SWAP	857,180	(1,516,934)	1,165,458	505,704
Gain on interest rate swap	86,839			86,839
INCREASE (DECREASE) IN NET ASSETS	944,019	(1,516,934)	1,165,458	592,543
NET ASSETS				
Beginning of Year	7,984,330	56,535,465	31,513,630	96,033,425
End of Year	$ 8,928,349	$55,018,531	$32,679,088	$96,625,968

See accompanying notes.

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,145,450	$ 3,153,194	$ 720,843	$ 5,019,487
	3,085,787		3,085,787
	1,209,982		1,209,982
1,145,450	7,448,963	720,843	9,315,256
3,472,593			3,472,593
1,795,760	3,226,987	67,616	5,090,363
687,308			687,308
61,924	401,404	6,038	469,366
2,550,091			2,550,091
(25,043)			(25,043)
	(77,216)	(7,650)	(84,866)
548	36,559		37,107
9,688,631	11,036,697	786,847	21,512,175
19,927,443	(19,927,443)		
	873,806	(873,806)	
29,616,074	(8,016,940)	(86,959)	21,512,175
4,108,634			4,108,634
3,632,758			3,632,758
103,887			103,887
2,620,699			2,620,699
1,071,100			1,071,100
287,586			287,586
8,210,137			8,210,137
1,985,167			1,985,167
5,446,128			5,446,128
64,970			64,970
27,531,066			27,531,066
1,435,143			1,435,143
3,166,201			3,166,201
32,132,410			32,132,410
(2,516,336)	(8,016,940)	(86,959)	(10,620,235)
147,233			147,233
(2,369,103)	(8,016,940)	(86,959)	(10,473,002)
10,353,433	64,552,405	31,600,589	106,506,427
$ 7,984,330	$ 56,535,465	$ 31,513,630	$96,033,425

IVY TECH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 592,543	$ (10,473,002)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation of property and equipment	3,084,229	3,350,303
Amortization of debt issuance costs	19,624	63,999
(Gain) loss on sale of property and equipment	(314,583)	25,043
Net realized and unrealized gains on investments	(1,822,722)	(3,577,829)
In-kind contribution of property		(1,060,000)
Contribution of property to Ivy Tech Community College		8,210,137
Gain on interest rate swaps	(86,839)	(147,233)
Increase in value of beneficial interest in trusts	(58,963)	(92,174)
(Increase) decrease in certain operating assets:		
Pledges receivable	(2,548,256)	2,121,199
Prepaid expenses and other assets	569,114	(165,331)
Receivable from related party	1,005,750	3,222,353
Increase (decrease) in certain operating liabilities:		
Accounts payable and accrued expenses	(96,043)	150,772
Accounts payable - related party	(588,946)	(1,985,605)
Contributions restricted for long-term purposes	(982,183)	(786,847)
Net Cash Used by Operating Activities	(1,227,275)	(1,144,215)
INVESTING ACTIVITIES		
Proceeds from note receivable from related party		33,000
Proceeds from sales of property and equipment	942,178	5,022,750
Proceeds from direct financing lease with related party	419,774	152,513
Purchases of investments	(7,103,282)	(6,412,445)
Sales and maturities of investments	7,054,067	8,723,342
Net Cash Provided by Investing Activities	1,312,737	7,519,160
FINANCING ACTIVITIES		
Net borrowings (repayments) on lines of credit	(1,048,152)	257,439
Payments on notes payable	(778,991)	(9,325,062)
Payments on capital lease obligations	(294,673)	(281,266)
Net change in other liabilities	(6,416)	(12,772)
Proceeds from contributions restricted for long-term purposes:		
Investment in permanently restricted endowment	794,797	778,458
Net Cash Used by Financing Activities	(1,333,435)	(8,583,203)
NET DECREASE IN CASH AND EQUIVALENTS	(1,247,973)	(2,208,258)
CASH AND EQUIVALENTS		
Beginning of Year	6,520,756	8,729,014
End of Year	$ 5,272,783	$ 6,520,756

See accompanying notes.

IVY TECH FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2018 and 2017

	2018	2017
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 1,064,260	$ 1,104,032
Noncash investing and financing activities:		
In-kind property contributions received		1,060,000
Contribution of property to Ivy Tech Community College		8,210,137
Receivable from related party related to property sale		972,750

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Ivy Tech Foundation, Inc. (the Foundation) was incorporated on June 9, 1969 under The Indiana Foundations and Holding Companies Act of 1921 (as amended), and during the 1992-1993 fiscal year elected to be governed under the Indiana Nonprofit Corporation Act of 1991. The Foundation, whose principal activity is to promote educational, scientific and charitable purposes in connection with, or at the request of, Ivy Tech Community College of Indiana (the College), commenced its financial activities with the receipt of various unrestricted contributions in October 1970. Major sources of revenue for the Foundation include contributions from individuals, corporations and granting foundations.

The accompanying consolidated financial statements include the accounts of the Foundation and the following wholly-owned subsidiaries:

- Community Enterprises Incorporated (CEI) – A corporation formed on October 15, 2008, to engage in real estate transactions.

- Community Enterprises Properties, LLC (CEP) – A member managed limited liability company formed on June 29, 2009, to engage in real estate transactions.

- Ivy Tech Properties, Inc. (ITP) – An Indiana public benefit corporation formed on February 15, 2012, to partially acquire, own and redevelop a multi-story building for the expansion of the College's Indianapolis campus. ITP is a qualified active low-income community business under Section 45D(f)(2) of the Internal Revenue Code.

The Foundation and its subsidiaries are collectively referred to as the Foundation throughout this report. All intra-entity accounts and transactions have been eliminated in consolidation.

Basis of Accounting: The Foundation reports its operations on the accrual basis wherein revenue and support are recognized in the period earned and expenses in the period incurred.

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 asset and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Net Asset Classifications: The consolidated financial statements report the changes in and the total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, and permanently restricted. The following classes of net assets are maintained by the Foundation:

- ***Unrestricted Net Assets*** include general and board designated assets and liabilities which may be used at the discretion of management to support the Foundation's purposes and operations.

- ***Temporarily Restricted Net Assets*** include assets related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***Permanently Restricted Net Assets*** include assets related to gifts with donor-imposed restrictions that stipulate the principal be held in perpetuity with the earnings thereon being temporarily restricted until appropriated for expenditure.

At times, the Foundation receives requests by donors or their designates to change the use for which their original gifts were intended. These requests are reviewed by the Foundation for approval. Approved changes, depending on the donors' requests, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net asset classes. Reclassifications of $183,275 and $873,806 are reflected in the consolidated statements of activities as reclassifications of donor intent for the years ended June 30, 2018 and 2017, respectively.

Cash and Equivalents: For the purposes of the consolidated statement of cash flows, cash equivalents includes money market fund shares. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Foundation has not experienced any losses from these bank accounts.

Promises to Give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investment Valuation and Income Recognition: Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 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. Realized and unrealized gains and losses on investments are included in the consolidated statements of activities.

Investment income is allocated to capital campaign accounts and endowment funds only. Investment income is not allocated to other expendable restricted funds in lieu of charging an investment management fee to these funds.

Investment Pools: The Foundation maintains master investment accounts for its endowments. Interest, dividends, and realized gains and losses from securities in the master investment accounts are allocated quarterly to the individual endowments based on the relationship of the value of each endowment to the total.

Beneficial Interest in Trusts: The Foundation is an irrevocable beneficiary of trusts. The Foundation's beneficial interest in trusts is reported at fair value in the temporarily restricted or permanently restricted net asset class, based on the nature of the trust and donor restrictions. See Note 4 for discussion of fair value measurements. Changes in value of beneficial interest in trusts are recognized in investment income in the same net asset class as the initial value.

Property and Equipment: Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost, except for donated items, which are recorded at fair market value at the date of donation. The Foundation provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Buildings and improvements	20-30 years
Software	3-5 years
Furniture and fixtures	5-10 years

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the asset's carrying amount to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair market value. No adjustments to the carrying amount of property and equipment were required for the years ended June 30, 2018 and 2017.

Deferred Financing Costs are being amortized over the term of the related loans on a basis that approximates a constant effective interest rate. Capitalized loan costs totaled $372,519 at June 30, 2018 and 2017 with accumulated amortization of $137,358 and $117,734, respectively. Amortization expense is included in interest expense and was $19,624 and $63,999 for the years ended June 30, 2018 and 2017, respectively.

Support and Revenue: The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 consolidated statement of activities as net assets released from restrictions.

Non-Cash Contributions: In addition to receiving cash contributions, the Foundation receives non-cash contributions including gifts of securities and real estate from various donors. The Foundation's policy is to record securities and real estate donations at their fair market value on the date of donation. Real estate donations are considered to have an implied time restriction and are treated as temporarily restricted support.

Also, the Foundation receives personnel services from the College that provide direct benefit to the Foundation. These services are measured at the cost recognized by the College for the personnel providing those services. See Note 13.

Leasing Arrangements: The Foundation's leasing arrangements consist principally of the leasing of various land and buildings. Except for one arrangement, the Foundation's leases are classified as operating leases. Real estate rental income is recognized on a straight-line basis over the term of each operating lease. Leasing arrangements are discussed further in Note 12.

Derivative Instrument and Hedging Activities: The Foundation has entered into an interest rate swap agreement principally to protect against the risk of interest rate movements on bond debt. The Foundation does not engage in speculative derivative transactions for trading purposes. See Notes 4 and 10.

Functional Allocation of Expenses: The costs of providing the programs and services of the Foundation have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Although the method used was appropriate, other methods could have produced different results.

Income Taxes: Ivy Tech Foundation, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). CEP is a single member, member managed limited liability company that is treated as a disregarded entity for federal and state income tax purposes, and thus is also exempt from federal income taxes under Section 501(c)(3) of the IRC. Ivy Tech Properties, Inc. is exempt from federal income taxes under Section 501(c)(2) of the IRC. In addition, Ivy Tech Foundation, Inc. has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the years ended June 30, 2018 and 2017. Therefore, no provision or liability for income or excise taxes has been included in the consolidated financial statements for these entities.

CEI is a taxable corporation; however, it had no federal or state income taxes currently payable or deferred tax assets or liabilities as of June 30, 2018 and 2017.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation and ITP file U.S. federal and state of Indiana information returns. CEI files U.S. federal and state of Indiana income tax returns. The Foundation, ITP, and CEI are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before the year ended June 30, 2015.

Reclassifications: Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the presentation of the 2018 consolidated financial statements.

Subsequent Events: The Foundation has evaluated the consolidated financial statements for subsequent events occurring through September 27, 2018, the date the consolidated financial statements were available to be issued.

NOTE 2 - ASSETS RESTRICTED FOR PERMANENT ENDOWMENT

Assets with donor-imposed restrictions limiting their use to long-term purposes have been excluded from other assets which are available for current use. Assets restricted for permanent endowment consisted of the following at June 30, 2018 and 2017:

	2018	**2017**
Investments	$30,326,746	$29,381,228
Beneficial interest in perpetual trust	998,014	965,460
Pledges receivable	1,354,328	1,166,942
Total Assets Restricted for Permanent Endowment	$32,679,088	$31,513,630

NOTE 3 - ENDOWMENT

The Foundation's endowment consists of over 300 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment includes only donor-restricted endowment funds, as the Board of Directors has not designated any funds to function as endowments. The Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and any 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 Board of Directors.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was adopted by Indiana in 2007. The Board of Directors of the Foundation interprets UPMIFA to permit the Foundation to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund that the Board of Directors determines is prudent for the uses, purposes, and duration of the endowment fund, unless there are any explicit donor stipulations to the contrary. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

NOTE 3 - ENDOWMENT (CONTINUED)

The endowment net asset composition by type of fund as of June 30, 2018 and 2017, was as follows:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$	$3,728,497	$32,679,088	$36,407,585
2017				
Donor-restricted endowment funds	$	$2,965,194	$31,513,630	$34,478,824

Activity in the endowment by net asset class for the years ended June 30, 2018 and 2017, is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at June 30, 2016		$ 901,686	$31,168,923	$32,070,609
Investment Return:				
Investment income		594,464		594,464
Net appreciation (realized and unrealized)		2,674,373	67,616	2,741,989
Total Investment Return		3,268,837	67,616	3,336,453
New gifts and charitable remainder trust distribution			1,150,897	1,150,897
Appropriated for expenditure		(1,205,329)		(1,205,329)
Reclassification of donor intent			(873,806)	(873,806)
Endowment at June 30, 2017		2,965,194	31,513,630	34,478,824
Investment Return:				
Investment income		659,343		659,343
Net appreciation (realized and unrealized)		1,381,205	32,554	1,413,759
Total Investment Return		2,040,548	32,554	2,073,102
New gifts and charitable remainder trust distribution			949,629	949,629
Appropriated for expenditure		(1,277,245)		(1,277,245)
Reclassification of donor intent			183,275	183,275
Endowment at June 30, 2018	$	$ 3,728,497	$32,679,088	$36,407,585

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 Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported against unrestricted net assets. There were no deficiencies at June 30, 2018 and 2017.

NOTE 3 - ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the primary investment objective of the Foundation for endowment assets is to provide a real rate of return (total return minus inflation) sufficient to support, in perpetuity, the restricted purposes of each endowment account, in order to serve the mission of the Foundation. The Board of Directors recognizes in the policy that it is particularly important to preserve the value of the assets in real terms to enable the Foundation to maintain the purchasing power of its support of the College without eroding the real, long-term value of the corpus of the endowment. The target return, net of fees, approved by the Board of Directors is 7%. Actual returns in any given year may vary from these objectives.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of 55% equity investments, 35% fixed income investments, and 10% risk reduction assets to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's asset value as of the immediately preceding January 1. The amount may also be reduced at the recommendation of the Finance Committee if deemed prudent based on a balanced view of investment returns, spending needs of the College, and maintaining fund values in perpetuity. Over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Foundation 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 Foundation 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.

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 Organization 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 Foundation 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, 2018 and 2017.

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

Common Stocks, Exchange Traded Funds, and Government Obligations: 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 issues with similar credit ratings.

Hedge Funds: Valued at the net asset value (NAV) of the respective hedge fund at the reporting date. The NAV is used as a practical expedient to estimate fair value and is based on the fair value of the hedge fund's underlying investments less its liabilities. If management determines, based on its own due diligence and investment monitoring procedures, that the reported NAV of any hedge fund is not representative of fair value, and the difference between fair value and reported value is material, management will estimate the fair value of the investment in the hedge fund in good faith. For the years ended June 30, 2018 and 2017, no adjustments to the reported NAV were recorded. Hedge funds measured at fair value using NAV as a practical expedient are not classified in the fair value hierarchy.

Certificates of Deposit: Determined by discounting the related cash flows on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

Life Insurance Contracts: Determined using the cash surrender value of the policies as the basis for the amount that could be realized under the insurance contracts as of the date of the statement of financial position.

Beneficial Interest in Perpetual Trust: Valued using the fair value of the assets in the trust as a practical expedient, since no facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interest. When the fair value of the assets in the trust is used to estimate fair value, these assets are not classified in the fair value hierarchy.

Beneficial Interest in Charitable Remainder Trusts: Valued at the present value of future cash flows considering the estimated return on invested assets during the term of the agreement, the contractual payment obligations under the agreement, and a discount rate commensurate with the characteristics of the trust. The expected term of each agreement is determined based on life expectancies of the beneficiaries.

Interest Rate Swap Derivative: Valued using the valuation provided by the counterparty, without adjustment, which utilizes a model primarily based on the applicable interest yield curve at the reporting date.

For assets and liabilities with fair value measured using Level 3 inputs, management determines the fair value measurement policies and procedures in consultation with the Foundation's 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.

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 Foundation's 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 and liabilities could result in a different fair value measurement at the reporting date.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2018 and 2017:

2018	Level 1	Level 2	Level 3	Measured at NAV	Total
Assets					
Cash equivalents:					
Money market fund shares	$ 237,879				$ 237,879
Investments (including endowment):					
Mutual fund shares - equities:					
Large cap funds	4,340,977				4,340,977
International funds	7,189,632				7,189,632
Mutual fund shares - fixed income:					
Intermediate-term bond funds	4,014,882				4,014,882
Inflation-protected bond funds	486,422				486,422
Non-traditional bond funds	893,045				893,045
High yield bond funds	648,231				648,231
Multi-sector bond funds	1,654,420				1,654,420
Short-term bond funds	1,292,837				1,292,837
Other bond funds	120,383				120,383
Mutual fund shares - managed futures	539,536				539,536
Common stocks	776,772				776,772
Exchange traded funds					
International funds	4,021,678				4,021,678
Large cap funds	10,169,745				10,169,745
Mid cap funds	36,353				36,353
Corporate bonds					
Technology		$1,371,759			1,371,759
Retail goods and services		1,257,763			1,257,763
Financial services		838,225			838,225
Industrial goods		836,230			836,230
Healthcare		700,499			700,499
Other		1,322,165			1,322,165
Government obligations	1,054,276				1,054,276
Hedge funds				$2,420,175	2,420,175
Certificates of deposit		1,860,287			1,860,287
Life insurance contracts		128,525			128,525
Beneficial interest in trusts (including endowment):					
Beneficial interest in perpetual trust				998,014	998,014
Beneficial interest in charitable remainder trusts			$ 236,289		236,289
Total Assets at Fair Value	$37,477,068	$8,315,453	$ 236,289	$3,418,189	$49,446,999

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

2018	Level 1	Level 2	Level 3	Measured at NAV	Total
Liabilities					
Interest rate swap liability		$ 161,356			$ 161,356
Total Liabilities at Fair Value		$ 161,356			$ 161,356

2017	Level 1	Level 2	Level 3	Measured at NAV	Total
Assets					
Cash equivalents:					
Money market fund shares	$ 1,327,298				$ 1,327,298
Investments (including endowment):					
Mutual fund shares - equities:					
Large cap funds	13,009,935				13,009,935
International funds	9,811,482				9,811,482
Other equity funds	421,551				421,551
Mutual fund shares - fixed income:					
Intermediate-term bond funds	8,558,073				8,558,073
Inflation-protected bond funds	714,735				714,735
Non-traditional bond funds	1,619,803				1,619,803
High yield bond funds	1,436,758				1,436,758
Ultrashort bond funds	1,151,455				1,151,455
Other bond funds	1,253,190				1,253,190
Mutual fund shares - managed futures	450,286				450,286
Common stocks	717,906				717,906
Exchange traded funds	34,790				34,790
Corporate bonds		$2,334,723			2,334,723
Government obligations	737,708				737,708
Hedge funds				$2,624,857	2,624,857
Certificates of deposit - bank		1,138,329			1,138,329
Life insurance contracts		87,299			87,299
Beneficial interest in trusts (including endowment):					
Beneficial interest in perpetual trust				965,460	965,460
Beneficial interest in charitable remainder trusts			$ 209,880		209,880
Total Assets at Fair Value	$41,244,970	$3,560,351	$ 209,880	$3,590,317	$48,605,518
Liabilities					
Interest rate swap liability		$ 248,195			$ 248,195
Total Liabilities at Fair Value		$ 248,195			$ 248,195

At June 30, 2018 and 2017, the Foundation had no other assets or liabilities that are measured at fair value on a recurring basis.

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary of the changes in Level 3 assets for the years ended June 30, 2018 and 2017:

	Beneficial Interest in Charitable Remainder Trusts
Balance at June 30, 2016	$ 616,988
Transfer to perpetual trust	(431,666)
Unrealized gains	24,558
Balance at June 30, 2017	209,880
Unrealized gains	26,409
Balance at June 30, 2018	$ 236,289

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Foundation's Level 3 assets, the valuation techniques used to measure the fair value of those assets, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Basis or Range of Significant Input Values
2018				
Beneficial Interest in Charitable Remainder Trusts	$236,289	Discounted cash flow	Return on trust assets	6.0%
			Discount rate	2.0%
2017				
Beneficial Interest in Charitable Remainder Trusts	$209,880	Discounted cash flow	Return on trust assets	6.0%
			Discount rate	2.0%

Fair Value of Assets Measured Using NAV per Share (or Equivalent) Practical Expedient

The following table summarizes investments measured at fair value based on the NAV per share (or equivalent) as of June 30, 2018 and 2017:

Instrument	Fair Value 2018	Fair Value 2017	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Beneficial interest in perpetual trust	$ 998,014	$ 965,460	N/A	Illiquid	Illiquid
Hedge funds (a)	1,031,126	884,499	None	25% per quarter	9 months
Hedge funds (b)	629,187	949,211	None	Quarterly	45 days
Hedge funds (c)	138,031		$365,940	25% per quarter; not eligible until 7th anniversary of initial investment	Not yet eligible
Hedge funds (d)	621,831	791,147	None	25% per quarter (No limit as of 12/31)	65 days

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

(a) The portfolio engages primarily in the following investment strategies: U.S. convertible and volatility arbitrage, U.S. and European convertible credit and capital structure opportunities, Asia arbitrage, statistical arbitrage, long/short equity, credit opportunities, global macro, and merger arbitrage.

(b) Investment fund employs a research-driven, bottom-up investment process that involves extensive qualitative and quantitative analysis that incorporates international relationships and expertise across capital structures, industries and geographies. The fund benefits from its ability to opportunistically allocate capital among its underlying strategies: merger arbitrage, long/short equity special situations, corporate credit, convertible/derivative arbitrage and structured credit.

(c) Investment fund focuses primarily on second lien, mezzanine and other private high-yield debt investments in upper market entities.

(d) Investment fund is an actively managed registered fund of hedge funds with a target portfolio of 20-25 single strategy and diversified hedge funds. It seeks to fully complement an existing traditional stock and bond portfolio with a focus on generating capital appreciation over the long-term, with relatively low volatility and a low correlation with traditional equity and fixed income markets.

NOTE 5 - INVESTMENTS

Investments, including assets restricted for permanent endowment, consisted of the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Certificates of deposit	$ 1,873,881	$ 1,860,287	$ 1,134,551	$ 1,138,329
Government obligations	1,107,286	1,054,276	734,581	737,708
Mutual funds - fixed income	9,171,793	9,110,220	14,899,316	14,734,014
Mutual funds - equities	9,552,745	11,530,609	19,118,345	23,242,968
Mutual funds - managed futures	561,465	539,536	469,017	450,286
Exchange traded funds	10,995,116	14,227,776	16,646	34,790
Corporate bonds	6,581,138	6,326,641	2,432,955	2,334,723
Common stocks	416,649	776,772	397,534	717,906
Risk reduction assets	2,052,403	2,420,175	2,333,544	2,624,857
Life insurance contracts	128,525	128,525	87,299	87,299
Total Investments	$42,441,001	$47,974,817	$41,623,788	$46,102,880

Investments are included in the consolidated statements of financial position at June 30, 2018 and 2017 as follows:

	2018	**2017**
Investments	$17,648,071	$16,721,652
Assets restricted for permanent endowment	30,326,746	29,381,228
Total Investments	$47,974,817	$46,102,880

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the Foundation’s consolidated financial statements.

NOTE 5 - INVESTMENTS (CONTINUED)

Investment income included in the consolidated statements of activities for the years ended June 30, 2018 and 2017, consisted of the following:

	2018	2017
Interest and dividends	$1,614,176	$ 1,528,771
Net realized gains	880,678	1,078,101
Net unrealized gains	942,044	2,499,728
Change in value of beneficial interest in trusts	13,023	(16,237)
Total Investment Income	$3,449,921	$5,090,363

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable are as follows at June 30, 2018 and 2017:

	2018	2017
Capital campaign	$ 2,833,576	$ 3,842,310
Endowments	1,437,616	1,223,007
Grants	4,429,097	1,335,148
Other pledges	5,425,202	4,678,920
Less: Discount on pledges receivable	(818,364)	(507,900)
Total Pledges Receivable	$13,307,127	$10,571,485
Amount due in:		
Less than one year	$ 4,306,088	$ 3,811,676
One to five years	7,938,469	5,755,819
More than five years	1,062,570	1,003,990
Total Pledges Receivable	$13,307,127	$10,571,485

Pledges receivable are included in the consolidated statements of financial position at June 30, 2018 and 2017 as follows:

	2018	2017
Pledges receivable	$11,952,799	$ 9,404,543
Assets restricted for permanent endowment	1,354,328	1,166,942
Total Pledges Receivable	$13,307,127	$10,571,485

NOTE 7 - NOTE RECEIVABLE FROM BANK

On April 25, 2012, the Foundation advanced proceeds of $23,510,509 to a bank under a note which matures on March 15, 2041. Interest-only payments are due from the Bank annually through April 2019. Principal and interest are due monthly beginning in May 2019. Interest is accrued at 1.4% per year. Interest earned in fiscal years 2018 and 2017 was $329,147. The Bank used the proceeds to provide capital to certain entities making Qualified Low-Income Community Investment (QLICI) loans to ITP.

NOTE 8 - BENEFICIAL INTEREST IN TRUSTS

The Foundation is the beneficiary of an irrevocable beneficial interest in a perpetual trust managed by a third-party trustee. During 2017, the remaining assets of one of the Foundation's charitable remainder trusts were combined with the Foundation's previously established perpetual trust. The Foundation is entitled to receive 50% of the net income earned from the assets of the trust, but will never receive the assets held in the trust. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as a permanently restricted contribution in the period the trust is established. Beneficial interests in perpetual trusts are measured at fair value. See Note 4 for the discussion of fair value measurements. Distributions received from the trust are restricted for scholarships and are included in temporarily restricted contributions. Total distributions received from this trust were $17,348 for the year ended June 30, 2018. There were no distributions received from this trust for the year ended June 30, 2017.

The Foundation also holds an irrevocable beneficial interest in four charitable remainder trusts managed by third-party trustees. The charitable remainder trusts provide for the payment of distributions to a grantor or other designated beneficiary over the designated beneficiaries' lifetimes. Upon the death of the designated beneficiaries of the trusts, the remaining assets will be distributed to the Foundation for its use in accordance with donor restrictions, if any. The portion of the trusts attributable to the present value of the future benefits to be received by the Foundation is recorded as a temporarily or permanently restricted contribution in the period the trust is established. Beneficial interests in charitable remainder trusts held by third parties are measured at fair value. See Note 4 for the discussion of fair value measurements. During 2018, there were no distributions received from these trusts or new trusts recognized as contributions. During 2017, upon the death of the designated beneficiary, remaining assets of $431,666 designated for the Foundation for one of the charitable remainder trusts were combined with the Foundation's previously established perpetual trust. Also during 2017, the Foundation recognized contributions of $108,411 upon notification of its interest in two new trusts.

NOTE 9 - ASSETS HELD IN COMMUNITY FOUNDATIONS AND SIMILAR ENTITIES

The Foundation has been named a beneficiary of various funds administered by community foundations and other similar entities. However, these funds are not included in the Foundation's consolidated statements of financial position because the other entities have variance power over the funds. At June 30, 2018 and 2017, these funds approximated $7.0 million and $6.7 million, respectively, based on information available from the community foundations and other entities.

NOTE 10 - DEBT AND CREDIT ARRANGEMENTS

Notes payable and capital lease obligation consisted of the following at June 30, 2018 and 2017:

	2018	**2017**
Note payable - 6.50%, payable in 240 monthly installments of $9,506, including interest, with a final payment due on May 3, 2025. Collateralized by land and buildings in Kokomo, Indiana. A portion of this note is due to a related party. See Note 13.	$ 628,052	$ 698,787
Tax exempt bond - 5.00%, payable in 216 monthly installments, with current monthly payments of $18,592, including interest, with a final payment due on June 1, 2024. This is a tax exempt bond from the Indiana Finance Authority. Collateralized by land and buildings in Evansville and Kokomo, Indiana.	1,151,756	1,308,527
Note payable - variable rate (2.95% at June 30, 2018), subject to adjustment every three years beginning in 2020, tied to the 3 year Federal Home Loan Bank-Indianapolis Rate, payable in 120 monthly installments of $18,500, including interest, with a final payment due on December 1, 2023. Collateralized by land in Warsaw, Indiana.	1,108,703	1,294,511

NOTE 10 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

	2018	2017
Tax exempt bond - 3.59%, payable in monthly installments of $8,340, including interest, with a final payment due on December 9, 2031. Debt is held by CEP, and guaranteed by Ivy Tech Foundation. Collateralized by land and a building in Jeffersonville, Indiana.	$ 1,060,631	$ 1,120,900
Tax exempt bond - 65% of LIBOR plus 2.42% (3.59% at June 30, 2018), payable in monthly interest-only payments, with a balloon payment due on June 1, 2036. Debt is held by CEP, and guaranteed by Ivy Tech Foundation. Collateralized by a building in Fort Wayne, Indiana.	1,700,022	1,755,938
Two QLICI notes payable - 1.0313% (effective interest rate of 1.0927% including amortization of deferred financing costs), payable in annual interest-only payments through April 5, 2019 and monthly principal and interest payments beginning on May 5, 2019, through maturity on March 5, 2041. Debt is held by ITP and collateralized by mortgages on property in Indianapolis, Indiana. $3,813,000 is guaranteed by Ivy Tech Foundation. Notes may not be prepaid prior to April 5, 2019.	14,475,000	14,475,000
Two QLICI notes payable - 1.0227% (effective interest rate of 1.0833% including amortization of deferred financing costs), payable in annual interest-only payments through April 5, 2019 and monthly principal and interest payments beginning on May 5, 2019, through maturity on March 5, 2041. Debt is held by ITP, guaranteed by Ivy Tech Foundation, and collateralized by a mortgage on property in Indianapolis, Indiana. Notes may not be prepaid prior to April 5, 2019.	6,860,000	6,860,000
Two QLICI notes payable - 1.0241% (effective interest rate of 1.0849% including amortization of deferred financing costs), payable in annual interest-only payments through April 5, 2019 and monthly principal and interest payments beginning on May 5, 2019, through maturity on March 5, 2041. Debt is held by ITP, guaranteed by Ivy Tech Foundation, and Collateralized by a mortgage on property in Indianapolis, Indiana. Notes may not be prepaid prior to April 5, 2019.	10,716,325	10,716,325
Note payable - 2.45%, payable in monthly payments of principal and interest beginning September 1, 2015, with a balloon payment of $3,594,354 at maturity on August 1, 2018. Debt is held by CEP. (A)	3,575,984	3,825,476
Capital lease obligation with semiannual installments through December 2030, ranging from $570,256 to $577,606 annually, including interest imputed at 5.17%. Secured by the associated building which has been leased to the College under a direct financing lease arrangement (see Note 12).	5,013,166	5,307,837
	46,289,639	47,363,301
Less: Unamortized deferred financing costs	(235,163)	(254,785)
Total Notes Payable and Capital Lease Obligation, Net	$46,054,476	$47,108,516

(A) The Foundation refinanced this note in August 2018. The refinanced note bears interest at 3.72% and is payable in monthly payments of $29,067, including interest, beginning September 1, 2018, with a balloon payment estimated at $2,434,242 on August 1, 2023.

NOTE 10 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

At June 30, 2018 the future capital lease payments and aggregate maturities of long-term debt, adjusted for the refinanced debt noted in (A) above, were as follows:

Payable In Year Ending June 30,	Capital Lease Payments	Debt Principal
2019	$ 572,656	$ 677,190
2020	577,606	745,546
2021	572,106	777,275
2022	576,456	809,604
2023	571,656	843,885
Thereafter	3,998,663	37,422,973
	6,869,143	
Less: Amounts representing interest	(1,855,977)	
	$ 5,013,166	

Notwithstanding any provision of the above QLICI notes to the contrary, on the 7th anniversary, or April 25, 2019, ITP will make a principal payment of $300,000, less the remaining balance in the loan loss reserve initially funded at $300,000, related to the $14,475,000 notes; a principal payment of $140,000 related to the $6,860,000 notes; and a principal payment of $55,525, less the remaining balance in the loan loss reserve initially funded at $55,525, related to the $10,716,325 notes.

The Foundation has an unsecured bank line of credit with PNC Bank for short-term borrowings up to $4,000,000 through March 31, 2019, with interest payable monthly on outstanding borrowings and computed at 1.25% plus daily LIBOR (3.34% at June 30, 2018). At June 30, 2018 and 2017, the Foundation had outstanding borrowings of $740,925 and $1,697,021, respectively, under the line of credit. The Foundation also has an additional secured bank line of credit with PNC Bank for borrowings up to $1,600,000 through March 31, 2019, with interest payable monthly and computed at 1.90% plus daily LIBOR (3.99% at June 30, 2018). This line of credit is secured by property in Howard County, Indiana. At June 30, 2018 and 2017, the Foundation had outstanding borrowings of $923,330 and $1,015,386, respectively, under the line of credit. Both agreements require compliance with certain financial covenants.

Interest expense totaled $1,064,260 and $1,168,031 in the years ended June 30, 2018 and 2017, respectively. The Foundation has an interest rate swap agreement that effectively fixes the interest rate on the outstanding principal of the tax exempt bond that had a balance of $1,700,022 at June 30, 2018. The notional amount of the contract as of June 30, 2018 was $1,708,040, and the agreement expires in June 2036. Based on the swap agreement, the Foundation pays interest calculated at a fixed rate of 5.29% to the counterparty to the swap agreement. In return, the counterparty pays the Foundation interest based on a variable rate of 65% of the USD-LIBOR-BBA-Bloomberg rate plus 242 basis points. Only the net difference in interest payments is exchanged with the counterparty.

The Foundation's purpose for entering into this swap agreement was to hedge against the risk of interest rate increases on the related variable rate bond debt. Accordingly, the swap agreement is classified as cash flow hedging activity and represents a derivative financial instrument reflected on the consolidated statements of financial position at fair value. The estimated fair value of the interest rate swap at June 30, 2018 and 2017 was a liability of $161,356 and $248,195, respectively. The change in the fair value is recognized in the consolidated statements of activities. The cash flow effect of the swap arrangement is reported as an adjustment to interest expense. See Note 4 for the related fair value measurement disclosures.

NOTE 11 - NET ASSETS

Net assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Unrestricted:		
Unrestricted	$ 7,309,814	$ 6,855,635
Campus undesignated	2,516,017	2,297,178
Property	(1,110,515)	(1,389,306)
Alumni association	213,033	220,823
	8,928,349	7,984,330
Temporarily Restricted:		
Deferred gifts	720,930	626,336
Property	18,665,091	20,210,475
Scholarships	3,103,420	2,569,420
Expendable from endowed	2,084,550	1,993,046
Grants and programs	15,127,478	11,826,955
Technology	307,523	254,582
Appreciation on endowment funds	3,728,497	2,965,194
Other direct funds	1,000,945	821,329
Facility	3,173,871	5,662,065
Capital accumulation	5,952,160	7,944,172
Project	311,220	708,472
In-kind		232,302
Other	842,846	721,117
	55,018,531	56,535,465
Permanently Restricted:		
Endowment	$32,679,088	$31,513,630
Total Net Assets	$96,625,968	$96,033,425

For the years ended June 30, 2018 and 2017, net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows:

	2018	2017
Property	$ 2,433,716	$ 7,036,507
Scholarships	816,694	1,309,892
Expendable from endowed	1,235,590	1,442,217
Grants and programs	2,447,200	4,902,394
Technology	96,502	57,487
Other direct funds	77,134	159,884
Facility	3,457,529	379,199
Capital accumulation	2,056,207	1,424,098
Project	440,473	62,091
In-kind	1,044,389	1,985,167
Other	1,193,060	1,168,507
Total Restrictions Released	$15,298,494	$19,927,443

NOTE 12 - LEASES

A summary of property rented under operating leases to the College and the related rental income for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Evansville First Avenue plaza	$ 95,280	$ 95,280
Kokomo Technology building	118,800	118,800
Terre Haute Brentlinger building		139,013
Kokomo Trialon building	134,160	134,160
Kokomo Dupont building	106,700	133,040
Fishers building	149,940	149,940
Amatrol building	119,256	119,256
Michigan City building		54,000
Fort Wayne automotive building		10,000
Fort Wayne aviation land and building	175,577	174,830
Indianapolis culinary building	150,000	150,000
OAMTC building	231,084	231,084
Other Indiana buildings and land	15,000	52,400
Total Rental Income from the College	$1,295,797	$1,561,803

The related leases contain purchase options and renewal provisions with various terms. As of June 30, 2018, the future minimum lease payments receivable under the agreements were $1,174,097 for the year ending June 30, 2019 and $943,013 for the year ended June 30, 2020, not including leases expected to be renewed subsequent to June 30, 2018.

Additionally, the Foundation receives rental income from third party operating leases. Rental income from third party lessees for the years ended June 30, 2018 and 2017, was $897,383 and $988,288, respectively. As of June 30, 2018, the future minimum lease payments receivable under these agreements were as follows:

Year Ending June 30,	Rental Receipts
2019	$ 766,240
2020	465,540
2021	108,000
Total	$1,339,780

The cost of property and equipment predominantly held for lease and the related accumulated depreciation at June 30, 2018 and 2017, are as follows:

	2018	2017
Land	$ 7,003,777	$ 7,121,084
Buildings and improvements	61,364,055	62,149,113
Software	284,096	284,096
Furniture and fixtures	300,029	300,029
	68,951,957	69,854,322
Less: Accumulated depreciation	(19,716,498)	(16,907,039)
Property and Equipment, Net	$ 49,235,459	$ 52,947,283

NOTE 12 - LEASES (CONTINUED)

The Foundation received an in-kind contribution of real property located in Muncie, Indiana on August 31, 2009, valued at $3,143,300. The Foundation's gift agreement with the donor specifies that a portion of the property will be used for the educational purposes of the College beginning on March 1, 2011 through December 31, 2035. The book value of the property at June 30, 2018 and 2017, of $2,010,558 and $2,143,822, respectively, is included in temporarily restricted net assets.

During 2015, the Foundation entered into a leasing arrangement with the College classified as a direct financing lease. The Foundation recognized interest income of $277,735 and $292,540 during the years ended June 30, 2018 and 2017, respectively, related to its investment in this direct financing lease. A summary of future minimum lease payments receivable under this agreement is as follows:

Year Ending June 30,	**Rental Receipts**
2019	$ 1,021,360
2020	577,606
2021	572,106
2022	576,456
2023	571,656
Thereafter	3,998,663
	7,317,847
Less: amounts representing interest	(1,855,977)
Total	$ 5,461,870

Effective April 1, 2011, the Foundation entered into a land operating lease with a third party through March 31, 2051. The base rent is due in monthly installments and includes rent escalations over the term of the lease. The Foundation owns the building that is located on the rented land. The Foundation sub-leases the land lease payments to the College. The future base rental payments are as follows:

Year Ending June 30,	**Rental Payments**
2019	$ 25,637
2020	25,829
2021	26,406
2022	26,406
2023	26,604
Thereafter	860,565
Total	$991,447

NOTE 13 - RELATED PARTY TRANSACTIONS

The College employees provide staff support for the Foundation. The College pays all salaries and benefits for these employees. The Foundation provides the College a monthly amount to fund a portion of the College's operating expenses related to the College Development Office. The amount paid to the College for the years ended June 30, 2018 and 2017, was $650,000. In addition, the Foundation recorded in-kind contributions of $3,485,087 and $3,472,593 for the years ended June 30, 2018 and 2017, respectively, for personnel services and other operating expenses not reimbursed.

NOTE 13 - RELATED PARTY TRANSACTIONS (CONTINUED)

As part of the Foundation's principal activity of promoting the College, the Foundation provides funding and support to the College for various purposes. Such funding and support is included in the consolidated statements of activities as financial aid to students, instructional supplies and equipment, special programs, community outreach/promotional expense, donations to Ivy Tech Community College, donated property to Ivy Tech Community College, and in-kind expense. Related party accounts payable to the College were $611,834 and $1,200,780 at June 30, 2018 and 2017, respectively.

The College purchased property from the Foundation during 2013 and financed a portion of the purchase with the Foundation. The amount of the related note receivable from the College at June 30, 2018 and 2017, was $162,051 and $195,051, respectively. The note is to be paid in annual installments over 10 years beginning January 31, 2014, of $33,000 plus interest that has accumulated on the Foundation's lines of credit borrowings as a result of the indebtedness or until paid in full.

During fiscal year 2016, the College pledged $3,222,353 to the Foundation which was paid in 2017. The pledge was restricted to assist the Foundation in paying off debt associated with certain properties with a total cost basis of $8,210,137, which the Foundation then donated to the College in 2017. During fiscal year 2018, the College contributed an additional $1,423,332 to the Foundation to assist the Foundation in paying off debt associated with certain other properties and renovations. The Foundation donated an associated property with a cost basis of $1,386,271 to the College in 2019.

During fiscal year 2017, the College purchased real estate from the Foundation for a purchase price of $1,945,500. Of this amount, $972,750 was receivable from the College at June 30, 2017 which was received in 2018.

During fiscal year 2005, the Foundation purchased property from a member of its Board at that time and two other unrelated persons. The amount of the related note payable to the former Board member (see Note 10) at June 30, 2018 and 2017, was $569,192 and $639,927, respectively. The Foundation's purchase of the property enabled the College to reduce its monthly rent payments. The Foundation has several operating leases and a direct financing lease with the College (see Note 12).

NOTE 14 - FORETHOUGHT BUILDING AGREEMENT

During fiscal year 2014, the Foundation entered into an agreement with Batesville Community School Corporation (the School Corporation) for the School Corporation to purchase a 20% interest in certain real estate for $1,000,000. After $1,000,000 of student grants are awarded or after 10 years, whichever is sooner, the interest will transfer back to CEP. Since the 20% interest ultimately transfers back to CEP and CEP retains rights to rental income during the agreement, the transaction was not recognized as a sale. During the ten year period, the School Corporation is entitled to receive student grants up to $1,000,000 from the College. The proceeds were recorded as a liability, which will be amortized into revenue as the College awards the student grants. As of June 30, 2018 and 2017, there was $571,600 and $694,800, respectively, included in accrued expenses related to this transaction.

NOTE 15 - CONTINGENCY AND GUARANTEE

By providing QLICI loans (see Note 10), the financing entities are entitled to receive New Market Tax Credits (NMTCs) if all other criteria of the NMTC program are met. The NMTCs are contingent on the Foundation maintaining compliance with applicable sections of 45D of the Internal Revenue Code during the seven-year recapture period ending in April 2019. Failure to maintain compliance or to correct noncompliance within a specified time period could result in recapture of previously claimed tax credits plus penalties and interest. The financing entities are expected to receive approximately $12,910,000 of NMTCs over the seven-year period. Management has determined that no liability should be recorded related to this recapture contingency.

NOTE 16 - STATE AND LOCAL GOVERNMENT FUNDING

The following is a summary of the expenditures of the Foundation’s state and local government funding for 2018 and 2017:

	2018	2017
Bartholomew County School Corporation - iGrad program	$277,652	$ 77,403
Howard County - Early Childhood Program		2,572
Evansville Vanderburgh School Corporation - Public Safety Academy		5,000
Bloomfield Jr/Sr High School Development - Bloomington		3,750
Brown County High School Development - Bloomington		3,750
Spencer-Owen Community Schools Development - Bloomington		3,750
Eastern Greene Schools Development - Bloomington		3,750
Butler University - Chemical technology		2,589
Miami County Economic Development Authority		1,380
Terre Haute Chamber of Congress - Annual gala - Wabash Valley		1,500
University of Notre Dame - Culinary dinner		2,000
Greater Fort Wayne Inc. - Culinary arts dinner		2,500
Tippecanoe County - Intersection Connection		106,000
City of Greendale, Indiana - Advanced manufacturing		14,729
Brownstown Central Schools - iGrad Incentives	1,207	
City of Fort Wayne - CFAB	16,800	
Batesville Community School Corporation - Batesville School credits		109,700
Total	$295,659	$340,373

CONSOLIDATING INFORMATION

KATZ SAPPER & MILLER

Our People: Your Success

Independent Auditors' Report
on Consolidating Information

Board of Directors
Ivy Tech Foundation, Inc.

We have audited the consolidated financial statements of Ivy Tech Foundation, Inc. (a not-for-profit organization) as of and for the year ended June 30, 2018, and our report thereon dated September 27, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information included in the consolidating schedules of statement of financial position information and statement of activities information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 27, 2018

Katz, Sapper & Miller, LLP
Certified Public Accountants

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Indianapolis, IN 46240

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An Affiliate of
KSM Business Services, Inc.

IVY TECH FOUNDATION, INC.

CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2018

	Ivy Tech Foundation, Inc.	Ivy Tech Properties, Inc.
ASSETS		
Cash and equivalents	$ 5,258,994	$ 13,789
Investments	17,648,071	
Pledges receivable	11,952,799	
Prepaid expenses and other assets	257,867	117,720
Intra-entity due from	6,196,713	111,075
Property and equipment, net	11,583,169	25,344,288
Receivable from related party	162,051	
Net investment in direct financing lease with related party		
Note receivable from bank	23,510,509	
Beneficial interest in trusts	236,289	
Assets restricted for permanent endowment	32,679,088	
TOTAL ASSETS	$ 109,485,550	$25,586,872
LIABILITIES		
Accounts payable and accrued expenses	$ 342,960	$ 164,592
Accounts payable - related party	611,834	
Intra-entity due to	251,490	387,866
Lines of credit borrowings	1,664,255	
Interest rate swap liability	161,356	
Notes payable and capital lease obligation, net	1,779,808	31,816,162
Other liabilities	363,378	
Total Liabilities	5,175,081	32,368,620
NET ASSETS AND STOCKHOLDER'S EQUITY		
Common stock		
Additional paid-in capital		2,810,650
Unrestricted	18,415,501	(9,592,398)
Restricted:		
Temporary restricted	53,215,880	
Permanently restricted	32,679,088	
Total Restricted	85,894,968	
Total Net Assets and Stockholder's Equity	104,310,469	(6,781,748)
TOTAL LIABILITIES AND NET ASSETS AND STOCKHOLDER'S EQUITY	$ 109,485,550	$25,586,872

Community Enterprises, Inc.	Community Enterprises Properties, LLC	Eliminations	Total
			$ 5,272,783
			17,648,071
			11,952,799
	$ 25,913		401,500
$ 415	140,000	$ (6,448,203)	
	12,308,002		49,235,459
			162,051
	5,461,870		5,461,870
			23,510,509
			236,289
			32,679,088
$ 415	$ 17,935,785	$ (6,448,203)	$ 146,560,419
	$ 571,600		$ 1,079,152
			611,834
	5,808,847	$ (6,448,203)	
			1,664,255
			161,356
	12,458,506		46,054,476
			363,378
	18,838,953	(6,448,203)	49,934,451
$ 1,000		(1,000)	
9,000	140,000	(2,959,650)	
(9,585)	(2,845,819)	2,960,650	8,928,349
	1,802,651		55,018,531
			32,679,088
	1,802,651		87,697,619
415	(903,168)		96,625,968
$ 415	$ 17,935,785	$ (6,448,203)	$ 146,560,419

IVY TECH FOUNDATION, INC.

CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended June 30, 2018

	Unrestricted			
	Ivy Tech Foundation, Inc.	Ivy Tech Properties, Inc.	Community Enterprises, Inc.	Community Enterprises Properties, LLC
REVENUE, GAINS AND SUPPORT				
Contributions:				
Cash and pledges	$ 806,240			
College assistance for property	500,000			
Non-cash				
Grant revenue				
Total Contributions	1,306,240			
In-kind contributed operational services	3,485,087			
Investment income	1,057,624	$ 52		$ 277,735
Vending and royalty income	663,502			
Special events income, net of expenses	(8,733)			
Real estate rental income	894,845	589,396		1,298,335
Gain on sale of property and equipment				
Uncollectible pledges	(1,231)			
Miscellaneous revenue	29,192			
	7,426,526	589,448		1,576,070
Net assets released from restrictions	15,278,868			959,438
Reclassification of donor intent				
Total Revenue, Gains and Support	22,705,394	589,448		2,535,508
EXPENSES				
Financial aid to students	3,888,522			939,812
Building improvements, supplies and equipment	5,509,535			
Faculty and staff development	137,753			
Special programs	1,682,169			
Community outreach/promotional expense	1,145,699			
Donations to Ivy Tech Community College	291,973			
In-kind expense	1,009,389			
Real estate rental expenses	1,935,574	2,268,208		1,350,444
Other program expenses	51,687			
Total College Assistance Program Expenses	15,652,301	2,268,208		2,290,256
Administrative expenses	1,869,320		$ 3,800	
Fundraising expenses	2,889,285			
Total Expenses	20,410,906	2,268,208	3,800	2,290,256
INCREASE (DECREASE) IN NET ASSETS AND STOCKHOLDER'S EQUITY BEFORE GAIN ON INTEREST RATE SWAP	2,294,488	(1,678,760)	(3,800)	245,252
Gain on interest rate swap	86,839			
INCREASE (DECREASE) IN NET ASSETS AND STOCKHOLDER'S EQUITY	2,381,327	(1,678,760)	(3,800)	245,252
NET ASSETS AND STOCKHOLDER'S EQUITY				
Beginning of Year	16,034,174	(5,102,988)	4,215	(2,951,071)
End of Year	$ 18,415,501	$ (6,781,748)	$ 415	$ (2,705,819)

Temporarily Restricted		Permanently Restricted		
Ivy Tech Foundation, Inc.	Community Enterprises Properties, LLC	Ivy Tech Foundation, Inc.	Eliminations	Total
$ 5,671,112		$ 839,379	$ (939,812)	$ 6,376,919
923,332				1,423,332
760,637	$ 40,135			800,772
4,767,906				4,767,906
12,122,987	40,135	839,379	(939,812)	13,368,929
				3,485,087
2,081,956		32,554		3,449,921
1,906				665,408
368,593		110,250		470,110
			(589,396)	2,193,180
	$ 314,583			314,583
(45,975)				(47,206)
20,462				49,654
14,549,929	354,718	982,183	(1,529,208)	23,949,666
(15,278,868)	(959,438)			
(183,275)		183,275		
(912,214)	(604,720)	1,165,458	(1,529,208)	23,949,666
			(939,812)	3,888,522
				5,509,535
				137,753
				1,682,169
				1,145,699
				291,973
				1,009,389
			(589,396)	4,964,830
				51,687
			(1,529,208)	18,681,557
				1,873,120
				2,889,285
			(1,529,208)	23,443,962
(912,214)	(604,720)	1,165,458		505,704
				86,839
(912,214)	(604,720)	1,165,458		592,543
54,128,094	2,407,371	31,513,630		96,033,425
$53,215,880	$ 1,802,651	$32,679,088	$ -	$ 96,625,968