



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B39693

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 9, 2011

Board of Directors
South Dearborn Schools
Endowment, Corp.
9387 State Road 48
Aurora, IN 47001

We have reviewed the audit report prepared by Sherman, Barber & Mullikin, Independent Public Accountants, for the period July 1, 2008 to June 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the South Dearborn Schools Endowment, Corp., as of June 30, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

Audited Financial Statements
June 30, 2009 and June 30, 2008

SHERMAN, BARBER & MULLIKIN
CERTIFIED PUBLIC ACCOUNTANTS
Madison, Indiana

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 10
SUPPLEMENTAL INFORMATION:	
SCHEDULES OF STATE AND LOCAL FINANCIAL ASSISTANCE	12



SHERMAN, BARBER & MULLIKIN
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
South Dearborn Schools Endowment Corporation
Aurora, Indiana

We have audited the accompanying Statements of Financial Position of South Dearborn Schools Endowment Corporation (a nonprofit organization) as of June 30, 2009 and June 30, 2008, and the related Statements of Activities, Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Dearborn Schools Endowment Corporation as of June 30, 2009 and June 30, 2008, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of State and Local Financial Assistance on page 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sherman, Barber & Mullikin

Sherman, Barber & Mullikin

December 1, 2009

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Financial Position
June 30**

	<u>6/30/2009</u>	<u>2008</u>
Assets		
Cash	\$ 569,341	\$ 415,485
Certificate of Deposit	12,994	-
Asset Held by Dearborn County Community Foundation	41,860	56,142
Other Receivables	<u>4,203</u>	<u>-</u>
Total Assets	<u>\$ 628,398</u>	<u>\$ 471,627</u>
Liabilities and Net Assets		
Grants Payable	\$ 462,821	\$ 417,466
Net Assets		
Unrestricted	46,525	54,161
Temporarily Restricted	<u>119,052</u>	<u>-</u>
Total Net Assets	<u>165,577</u>	<u>54,161</u>
Total Liabilities and Net Assets	<u>\$ 628,398</u>	<u>\$ 471,627</u>

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30**

	6/30/2009	2008
Unrestricted Net Assets		
Unrestricted Revenues		
Interest Income	\$ 9,660	\$ 15,134
Investment Return on Endowment Funds	(12,583)	(3,937)
City of Lawrenceburg Revenue Sharing		
Admissions Income	108,337	106,278
Wagering Income	265,304	265,304
Grant Income	498,291	-
License Plate Fee Income	656	413
Total Unrestricted Revenues	869,665	383,192
Net Assets Released from Restrictions	3,000	-
Total Unrestricted Revenues and Other Support	872,665	383,192
Expenses		
Program Services		
Grants	873,351	572,387
Supporting Services		
Management and General	6,950	6,796
Total Expenses	880,301	579,183
Change in Unrestricted Net Assets	(7,636)	(195,991)
Temporarily Restricted Net Assets		
Contribution for Scholarships	122,052	-
Net Assets Released from Restrictions	(3,000)	-
Change in Temporarily Restricted Net Assets	119,052	-
Change in Net Assets	111,416	(195,991)
Net Assets, Beginning of Period	54,161	250,152
Net Assets, End of Period	\$ 165,577	\$ 54,161

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Cash Flows
For the Years Ended June 30**

	6/30/2009	2008
Cash Flows from Operating Activities		
Change in Net Assets	\$ 111,416	\$ (195,991)
Add Back Noncash Items:		
Increase in Grants Payable	45,356	54,709
Loss on Funds Invested with Dearborn County Community Foundation	12,583	3,937
Increase in Other Receivable	(4,203)	-
Earnings Reinvested in Certificate of Deposit	(379)	(556)
Net Cash Flows from Operations	164,773	(137,901)
Cash Flows from Investing Activities		
Cash (Transferred to) Received from Certificate of Deposit	(12,615)	12,615
Grant Payout from Dearborn County Community Foundation	1,698	3,742
Net Cash Flows from Investing Activities	(10,917)	16,357
Net Increase (Decrease) in Cash	153,856	(121,544)
Cash at Beginning of Year	415,485	537,029
Cash at End of Year	\$ 569,341	\$ 415,485

Non-Cash Investing Activities

Loss on Funds Invested with Dearborn County Community Foundation	\$ 12,583	\$ 3,937
Interest Reinvested in Certificate of Deposit	\$ 379	\$ 556

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2009 and 2008**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of South Dearborn Schools Endowment Corporation is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The significant accounting policies of the Corporation are as follows:

Organization

South Dearborn Schools Endowment Corporation was incorporated in July of 1997. It is a nonprofit organization managed by a volunteer board of directors. No capital stock exists.

The main purpose of the Corporation is to enrich the educational experience of the students of the South Dearborn School Corporation by funding programs beyond the regular school budget and providing scholarships to individuals to further their education. The Corporation is substantially supported by revenue sharing amounts received from the City of Lawrenceburg from the taxes collected from riverboat gaming. Therefore, the discontinuation of the riverboat gaming operation would severely impact the operations of the Corporation.

Basis of Accounting

The Corporation prepares its financial statements using the accrual basis of accounting wherein revenue is recognized when earned rather than when received, and expenses are recognized when incurred rather than when cash is disbursed.

The Corporation recognizes the revenue from the City of Lawrenceburg as received since it has no ability to accrue its share of funding until a report of taxes assessed is generated by the City.

Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation currently has no permanently restricted net assets.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2009 and 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosures of contingent assets and liabilities, if any) at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, all cash on hand and on deposit with an original maturity of 90 days or less is included in cash and cash equivalents.

Assets Held by Dearborn County Community Foundation

The Corporation transferred \$65,000 of its assets to the Dearborn County Community Foundation prior to June 30, 2000. Variance power was granted to the Community Foundation in accordance with U.S. Treasury Regulation, Section 1.170A-9(e)(11)(v)(B). However, since the South Dearborn Schools Endowment Corporation specified itself as beneficiary, the asset has been recorded as an interest in the net assets of the Community Foundation.

The investment return on these endowment funds is not restricted. Any distribution of income received is included in operating funds. Included in the investment return is the fund's allocated portion of income from the endowment funds and unrealized gains or losses due to a change in market values. Fund administrative expenses of .4% of the market value of the fund at June 30 and December 31 are charged against the investment return.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2009 and 2008

Note 2. CASH AND CERTIFICATES OF DEPOSIT

Cash consists of a money market account only.

On February 2, 1999, the Corporation encumbered \$10,000 for scholarships for tech-prep students. This amount was transferred to a certificate of deposit, currently accruing interest at 2.96% and maturing July 1, 2009.

Note 3. FAIR VALUE MEASUREMENT

The fair value of the assets held by Dearborn County Community Foundation is determined based on this Endowment's applicable share of the total market value of all endowment funds held by the Dearborn County Community Foundation. The market values are reported to the Foundation by asset managers. Asset managers have determined fair value of investments by reference to quoted market prices (Level 1 inputs).

The amounts transferred to the Dearborn County Community Foundation as endowment funds are being carried on the Statements of Financial Position at their fair values of \$41,860 at June 30, 2009 and \$56,142 at June 30, 2008.

The investment returns on endowment funds are as follows at June 30:

	<u>6/30/2009</u>	<u>2008</u>
Investment Income	\$ 2,446	\$ 2,226
Fund Expenses	(954)	(1,286)
Net Unrealized Losses	<u>(14,075)</u>	<u>(4,877)</u>
Investment Return	<u>\$ (12,583)</u>	<u>\$ (3,937)</u>

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2009 and 2008

Note 4. INCOME TAX STATUS

The Corporation has qualified under Internal Revenue Code Section 501(c)(3) and with the Indiana Department of Revenue as a tax-exempt organization for income tax purposes.

Note 5. FUNDING SOURCES

The Corporation receives funding as part of a Revenue Sharing Agreement with the City of Lawrenceburg and South Dearborn Community School Corporation. The Agreement was originally designed to share 50% of all admission and wagering taxes assessed against riverboat gaming operations with neighboring governmental units, including South Dearborn Schools, as well as other educational, training and library units of government and certain service organizations. Originally, three percent of the gaming-tax revenue received by Lawrenceburg was to be paid to the South Dearborn Schools Endowment Corporation for the purpose of funding educational programs for South Dearborn Schools.

During 2003 the wagering taxes were limited by Indiana Code 4-33-13-5(a)(2). The law limits the amounts distributed to cities and counties entitled to receive distributions to an amount equal to the total amount distributed during the fiscal year ended June 30, 2002.

In addition, the Corporation receives distributions from their fund with the Dearborn County Community Foundation representing earnings on \$65,000 of funds transferred to the Community Foundation on December 19, 1997 and April 16, 1999 and an additional \$25,000 set aside by the Community Foundation for the Corporation during the year ended June 30, 2000. The earnings from these funds are available to the Corporation for its exempt purposes. The Corporation received distributions of \$1,699 and \$3,742 from earnings for the years ended June 30, 2009 and 2008, respectively.

During the year ended June 30, 2009 the Corporation also received a restricted grant from the City of Lawrenceburg of \$498,291 and restricted contributions of \$122,052.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

Note 6. GRANTS PAYABLE

At June 30, 2009 and June 30, 2008, there were grants awarded, but not yet disbursed, of \$462,821 and \$417,466, respectively. The events requiring disbursement of the funds had not yet occurred.

Note 7. CONCENTRATIONS OF CREDIT RISK

The Corporation maintains its cash at federally insured financial institutions. These institutions insure the organization's deposits up to \$250,000 per institution. At June 30, 2009, the Corporation maintained deposits in excess of the federally insured limit at one financial institution. The total amount at risk was \$332,304.

Note 8. TEMPORARILY RESTRICTED NET ASSETS

During the current year, restricted donations totaling \$122,052 were received to be used for college scholarships for graduating seniors at South Dearborn Schools. As of June 30, 2009, \$119,052 of these temporarily restricted assets remained.

SUPPLEMENTAL INFORMATION

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Schedules of State and Local Financial Assistance

	For the Year Ended <u>6/30/2009</u>	For the Year Ended <u>June 29, 2008</u>
City of Lawrenceburg	<u>\$ 871,932</u>	<u>\$ 371,582</u>
Treasurer of Dearborn County	<u>\$ 656</u>	<u>\$ 413</u>

See Auditor's Report and Notes to Financial Statements.