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November 9, 2011

Board of Directors
Dearborn Adult Center, Inc.
311 W. Tate Street
Lawrenceburg, IN 47025

We have reviewed the audit report prepared by Clark, Schaefer, Hackett & Co., Independent Public Accountants, for the period January 1, 2009 to December 31, 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 Dearborn Adult Center, Inc., as of December 31, 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

Dearborn Adult Center, Inc.

Financial Statements

December 31, 2009 and 2008

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT

STRENGTH IN NUMBERS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dearborn Adult Center, Inc.:

We have audited the accompanying statements of financial position of the Dearborn Adult Center, Inc. (a not-for-profit organization) as of December 31, 2009 and 2008 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 in the first paragraph present fairly, in all material respects, the financial position of the Dearborn Adult Center, Inc. as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 16, 2010

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Dearborn Adult Center, Inc.
Statements of Financial Position
December 31, 2009 and 2008

		2009	2008
Assets:			
Cash	$	94,959	88,398
Accounts receivable		36,632	35,878
Property and equipment, net		947,299	891,869
Interest in assets held by community foundation		41,754	35,997
Other assets		-	20,000
Total assets	$	1,120,644	1,072,142
Liabilities and net assets:			
Liabilities:			
Accounts payable	$	70,242	2,434
Payroll and related tax liabilities		5,149	4,482
Deferred revenue		1,285	2,880
Total liabilities		76,676	9,796
Net assets:			
Unrestricted		615,279	564,126
Temporarily restricted		428,689	498,220
Total net assets		1,043,968	1,062,346
Total liabilities and net assets	$	1,120,644	1,072,142

See accompanying notes to the financial statements.

Dearborn Adult Center, Inc.
Statements of Activities
Years Ended December 31, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Revenue sharing	$ 251,152	-	251,152	202,550	-	202,550
Contributions	93,747	-	93,747	90,189	77,000	167,189
Rents	5,240	-	5,240	5,112	-	5,112
Memberships	12,950	-	12,950	16,972	-	16,972
Program fees	89,158	-	89,158	161,257	-	161,257
Interest income	665	-	665	1,344	-	1,344
Change in interest in assets held by community foundation	5,757	-	5,757	(18,565)	-	(18,565)
Pool concessions	4,119	-	4,119	13,088	-	13,088
Miscellaneous income	980	-	980	19,213	-	19,213
Loss on disposal of property and equipment	-	-	-	(10,543)	-	(10,543)
Net assets released from restrictions	69,531	(69,531)	-	10,531	(10,531)	-
	533,299	(69,531)	463,768	491,148	66,469	557,617
Expenses:						
Program	290,688	-	290,688	357,160	-	357,160
General and administrative	191,458	-	191,458	202,185	-	202,185
	482,146	-	482,146	559,345	-	559,345
Change in net assets	51,153	(69,531)	(18,378)	(68,197)	66,469	(1,728)
Balance at beginning of year	564,126	498,220	1,062,346	632,323	431,751	1,064,074
Balance at end of year	$ 615,279	428,689	1,043,968	564,126	498,220	1,062,346

See accompanying notes to the financial statements.

Dearborn Adult Center, Inc.
Statements of Functional Expenses
Years Ended December 31, 2009 and 2008

	2009			2008		
	Program	General and Administrative	Total	Program	General and Administrative	Total
Salaries and wages	$ 20,659	82,637	103,296	27,526	110,105	137,631
Payroll taxes	1,826	7,303	9,129	2,079	8,315	10,394
Insurance	10,969	43,878	54,847	9,026	36,102	45,128
Program expenses	130,883	-	130,883	211,853	-	211,853
Advertising	17,074	4,269	21,343	11,759	2,940	14,699
Equipment rental and related expenses	17,529	4,382	21,911	22,887	5,722	28,609
Contributions	-	200	200	-	-	-
Depreciation	40,784	10,196	50,980	38,000	9,500	47,500
Office expenses	2,799	11,195	13,994	1,481	5,926	7,407
Seminars and education	-	950	950	-	247	247
Professional fees	2,391	9,562	11,953	2,566	10,266	12,832
Repairs and maintenance	15,581	3,895	19,476	6,084	1,521	7,605
Telephone	1,544	6,175	7,719	1,772	7,089	8,861
Utilities	14,842	3,711	18,553	10,456	2,614	13,070
Pool concessions	7,502	-	7,502	7,940	-	7,940
Other	6,305	3,105	9,410	3,731	1,838	5,569
	$ 290,688	191,458	482,146	357,160	202,185	559,345

See accompanying notes to the financial statements.

Dearborn Adult Center, Inc.
Statements of Cash Flows
Years Ended December 31, 2009 and 2008

		2009	2008
Change in net assets	$	(18,378)	(1,728)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		50,980	47,500
Loss on disposal of property and equipment		-	10,543
Donated assets		(86,410)	(20,000)
Change in interest in assets held by community foundation		(5,757)	18,565
Effects of change in operating assets and liabilities:			
Accounts receivable		(754)	(1,726)
Accounts payable		67,808	(1,799)
Payroll and related tax liabilities		667	(13,758)
Deferred revenue		(1,595)	(5,385)
Net cash provided by operating activities		6,561	32,212
Cash flow from investing activities:			
Purchase of property and equipment		-	(5,383)
Net increase in cash		6,561	26,829
Cash - beginning of year		88,398	61,569
Cash - end of year	$	94,959	88,398

Supplemental Disclosure:

During 2009, the Center placed into service $20,000 of assets that were donated to the Center during 2008. These assets were recorded as other assets at December 31, 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Center are set forth to facilitate the understanding of data presented in the financial statements.

Nature of operations
Dearborn Adult Center, Inc. (the "Center") is a not-for-profit organization, which provides fellowship and fun through a variety of activities and educational programs to active seniors of Dearborn County, Indiana and surrounding areas.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, support, expenses and losses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation
The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restrictions; temporarily restricted net assets which have donor imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restrictions which do not expire. The Center had no permanently restricted net assets as of December 31, 2009 and 2008.

Income taxes
The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Center adopted the provisions of *Accounting for Uncertainty in Income Taxes* on January 1, 2009. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Center's income tax return. The Center's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are 2006 through 2008. The Center's policy with regard to potential interest and penalties is to recognize interest in interest expense and penalties through other expense. In evaluating the Center's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Center believes their estimates are appropriate based on current facts and circumstances.

Contributions
Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the temporary or permanently restricted net asset class. Contributions received with restrictions whose restrictions are met in the same period are reported as unrestricted revenue.

The Center reports gifts of property and equipment as unrestricted support unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The restrictions on contributed long-lived assets expire over the useful life of the donated assets. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Accounts receivable
The Center carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Center evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. No allowance for doubtful accounts is deemed necessary at December 31, 2009 and 2008.

Property and equipment
Property and equipment is stated at cost except for contributed items, which are recorded at the fair value on the date of the gift. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets.

Deferred revenue
Membership dues, which have been collected for future periods, have been recorded as deferred revenue.

Fair value measurements
Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

Revenue sharing
The Center receives a portion of wagering and admission taxes paid to the City of Lawrenceburg, Indiana by the Hollywood Casino in return for maintaining and operating a community service facility and programs.

Advertising expenses
Advertising costs are expensed in the period in which they are incurred.

Functional allocation of expenses
Salaries and related expenses are charged to program services based on an estimate of time spent by personnel on the related programs. Direct expenses are charged to the program based on costs incurred when specifically identifiable with a program. All other expenses are allocated to programs based on estimates made by management.

Subsequent events
The Center evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 16, 2010, the date on which the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT:

Property and equipment at December 31 is summarized as follows:

	2009	2008
Land	$ 20,000	20,000
Building and improvements	1,237,962	1,151,552
Furniture, fixtures and equipment	87,739	67,739
Vehicles	15,174	15,174
	1,360,875	1,254,465
Less accumulated depreciation	413,576	362,596
	$ 947,299	891,869

3. INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION:

The Center has made irrevocable transfers of assets to the Dearborn County Community Foundation (DCCF). DCCF invests the assets in their investment pool and distributes income earned to the Center on an annual basis. The Center's fair value interest in DCCF assets as of December 31, 2009 and 2008 was $41,754 and $35,997, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS:

The City of Lawrenceburg, Indiana, contributed the land and building to the Center with the restriction that it be used as an adult center for a period of 50 years ending in 2049. As of December 31, 2009 and 2008, $410,689 and $421,220 of net assets, respectively, were temporarily restricted for this purpose. During 2008, the Center received $77,000 to be used for future capital expenditures. As of December 31, 2009 and 2008, $18,000 and $77,000 of net assets, respectively were temporarily restricted for this purpose. Net assets released from restriction during the years ended December 31, 2009 and 2008 amounted to $69,531 and $10,531, respectively.

5. OPERATING LEASE:

The Center leases office equipment under an operating lease through 2010. Future minimum lease payments are $3,409. Total rent expense under this lease was $9,105 and $6,076 for the years ended December 31, 2009 and 2008, respectively.

6. CONCENTRATION OF RISK - REVENUE SHARING:

Approximately 54% and 36% of the Center's total revenue and support for the years ending December 31, 2009 and 2008, respectively, came from the revenue sharing contract with the City of Lawrenceburg. The Center's accounts receivable at December 31, 2009 and 2008 represents revenue earned under this agreement in December but paid in the following year. The Center receives approximately 1.8% of one half of the wagering and admission taxes collected by the City of Lawrenceburg from the Hollywood Casino. This agreement may be terminated by either party, for any reason, upon thirty days written notice. The Center is economically dependent on this contract.

7. FAIR VALUE MEASUREMENTS:

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Center has the ability to access. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of financial instruments including cash, accounts receivable and accounts payable approximated fair value as of December 31, 2009 and 2008, because of the relatively short maturity of these instruments.

Fair value methods and assumptions on interest in assets held by community foundation are valued on Level 2 inputs using prices obtained from DCF which was based on the underlying investments held by DCCF.

The fair value of the Center's interest in assets held by community foundation at December 31, 2009 and 2008 are as follows:

		Fair Value Measurements at Reporting Date Using		
December 31, 2009	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Interest in assets held by community foundation	$ 41,754	-	41,754	-
December 31, 2008				
Interest in assets held by community foundation	$ 35,997	-	35,997	-

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At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training and experience are well-suited for each client's purpose and goals. We are committed to providing insightful and customized service — from efficient compliance to sophisticated consulting — to help each client prosper today and plan for future success.