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November 10, 2011

Board of Directors  
Lawrenceburg Schools Endowment Corporation  
c/o Dearborn Community Foundation  
322 Walnut Street  
Lawrenceburg, IN 47025

We have reviewed the audit report prepared by Blue & Co., LLC, 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 Lawrenceburg Schools Endowment Corporation, 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

**LAWRENCEBURG SCHOOLS  
ENDOWMENT CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Lawrenceburg Schools Endowment Corporation  
Lawrenceburg, Indiana

We have audited the accompanying statements of financial position of Lawrenceburg Schools Endowment Corporation as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 Lawrenceburg Schools Endowment Corporation 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.

*Blue & Co., LLC*

May 7, 2010

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

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### ASSETS

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 999,041	\$ 472,456
Certificates of deposit	252,329	245,547
Investments	125,778	94,519
Nonpermanent donor advised fund	<u>97,740</u>	<u>102,160</u>
	<u>\$ 1,474,888</u>	<u>\$ 914,682</u>

### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$ -0-	\$ 3,750
Grants payable	<u>-0-</u>	<u>55,328</u>
Total liabilities	-0-	59,078

#### Net assets

Unrestricted	1,425,018	807,090
Temporarily restricted	<u>49,870</u>	<u>48,514</u>
Total net assets	<u>1,474,888</u>	<u>855,604</u>
	<u>\$ 1,474,888</u>	<u>\$ 914,682</u>

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*See accompanying notes to financial statements.*

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2009

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenues</b>			
Governmental support	\$ 1,393,103	\$ -0-	\$ 1,393,103
Contributions	10,000	-0-	10,000
Interest income	9,430	3,356	12,786
Unrealized gains on investments	29,533	-0-	29,533
Net assets released from restrictions	<u>2,000</u>	<u>(2,000)</u>	<u>-0-</u>
Total support and revenues	1,444,066	1,356	1,445,422
<b>Expenses</b>			
Grants	801,094	-0-	801,094
Legal and accounting	8,463	-0-	8,463
Administrative services	15,000	-0-	15,000
Miscellaneous	<u>1,581</u>	<u>-0-</u>	<u>1,581</u>
Total expenses	<u>826,138</u>	<u>-0-</u>	<u>826,138</u>
Change in net assets	617,928	1,356	619,284
<b>Net assets at beginning of year</b>	<u>807,090</u>	<u>48,514</u>	<u>855,604</u>
<b>Net assets at end of year</b>	<u>\$ 1,425,018</u>	<u>\$ 49,870</u>	<u>\$ 1,474,888</u>

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*See accompanying notes to financial statements.*

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenues</b>			
Governmental support	\$ 934,074	\$ -0-	\$ 934,074
Contributions	10,000	-0-	10,000
Interest income	14,309	2,420	16,729
Unrealized losses on investments	(60,830)	-0-	(60,830)
Miscellaneous income	589	-0-	589
Net assets released from restrictions	<u>2,100</u>	<u>(2,100)</u>	<u>-0-</u>
Total support and revenues	900,242	320	900,562
<b>Expenses</b>			
Grants	764,784	-0-	764,784
Legal and accounting	8,931	-0-	8,931
Administrative services	15,000	-0-	15,000
Miscellaneous	<u>7</u>	<u>-0-</u>	<u>7</u>
Total expenses	<u>788,722</u>	<u>-0-</u>	<u>788,722</u>
Change in net assets	111,520	320	111,840
<b>Net assets at beginning of year</b>	<u>695,570</u>	<u>48,194</u>	<u>743,764</u>
<b>Net assets at end of year</b>	<u>\$ 807,090</u>	<u>\$ 48,514</u>	<u>\$ 855,604</u>

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*See accompanying notes to financial statements.*

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>Operating activities</b>		
Change in net assets	\$ 619,284	\$ 111,840
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Unrealized losses (gains) on investments	(29,533)	60,830
Interest income added to certificates of deposit	(6,782)	(4,574)
Earnings reinvested in investments	(1,726)	(4,805)
Changes in assets and liabilities:		
Accounts payable	(3,750)	3,750
Grants payable	<u>(55,328)</u>	<u>55,328</u>
Net cash flows from operating activities	522,165	222,369
<b>Investing activities</b>		
Change in nonpermanent donor advised fund	<u>4,420</u>	<u>6,899</u>
Net change in cash and cash equivalents	526,585	229,268
<b>Cash and cash equivalents, beginning of year</b>	<u>472,456</u>	<u>243,188</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 999,041</u>	<u>\$ 472,456</u>

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*See accompanying notes to financial statements.*

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Lawrenceburg Schools Endowment Corporation ("LSEC") was incorporated in May 1997 to provide resources, such as grants and scholarships, to the students, faculty, staff and schools in the Lawrenceburg area for educational purposes. LSEC is substantially supported by revenue sharing amounts received from the City of Lawrenceburg from the taxes collected related to riverboat gaming.

Following are the significant accounting policies of LSEC:

#### Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

#### Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of LSEC are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions relating to a stipulated purpose or a specified time. 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 Statement of Activities as net assets released from restrictions.

#### Cash and Cash Equivalents

Cash consists primarily of money market investments and excludes amounts held by LSEC's fund manager and included in investments.

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### Investments and Investment Return

LSEC carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statement of Activities in the periods in which such changes occur.

### Nonpermanent Donor Advised Fund

LSEC has established a nonpermanent donor advised fund with Dearborn Community Foundation whereby LSEC retains all rights to the funds. Distribution of these funds is at the discretion of the Advisory Committee consisting of the Board of Directors of LSEC. The established fund is not an endowment fund; therefore principal can be granted.

Dearborn Community Foundation receives an annual administrative fee to be paid quarterly. Dearborn Community Foundation provides services including accounting services and grants and scholarship administration. The established fund is recorded by Dearborn Community Foundation as a custodial fund.

### Support, Revenues and Expense Recognition

Contributions are recognized as revenues in the period the promise is made.

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

All other revenues are recorded when earned.

### Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Income Taxes

LSEC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### Subsequent Events

LSEC has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is May 7, 2010.

## 2. CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at December 31, 2009 and 2008:

2009			2008		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 114,373	2/27/2011	5.75%	\$ 112,968	2/27/2011	5.75%
<u>137,956</u>	7/23/2018	6.27%	<u>132,579</u>	7/23/2018	6.27%
<u>\$ 252,329</u>			<u>\$ 245,547</u>		

## 3. INVESTMENTS

Investments are reported at fair value and consist of domestic equity mutual funds of \$125,778 and \$94,519 at December 31, 2009 and 2008, respectively. These investments appreciated (depreciated) in value by \$29,533 and \$(60,830) during the years ended December 31, 2009 and 2008, respectively. LSEC has the ability to borrow up to \$62,889 at 6.0 percent against this account at December 31, 2009. LSEC had no borrowings outstanding against this account at December 31, 2009.

## 4. RISKS AND UNCERTAINTIES

LSEC holds investments in equity mutual funds (Note 3). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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### 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and the lowest priority to unobservable value inputs. The hierarchy of inputs is as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the assets or liability, either directly or indirectly.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following table sets forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2009 and 2008:

	2009		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Assets:			
Investments	\$ 125,778	\$ 125,778	\$ -0-
Nonpermanent donor advised fund	97,740	-0-	97,740
	2008		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Assets:			
Investments	\$ 94,519	\$ 94,519	\$ -0-
Nonpermanent donor advised fund	102,160	-0-	102,160

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

LSEC has transferred assets to the Dearborn Community Foundation, Inc. and retained a beneficial interest in those assets. The fair value of this asset measured on a recurring basis using significant unobservable inputs (Level 3) are included in the statements of financial position at \$97,740 and \$102,160 at December 31, 2009 and 2008.

# LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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The progression of the nonpermanent donor advised fund is as follows at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 102,160	\$ 109,059
Contributions	356,139	338,128
Grant payments	<u>(360,559)</u>	<u>(345,027)</u>
Ending balance	<u>\$ 97,740</u>	<u>\$ 102,160</u>

### 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for scholarships at December 31, 2009 and 2008 in the amount of \$49,870 and \$48,514, respectively.

### 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2009 and 2008 by the expiration of purpose restrictions related to contributions in the amount of \$2,000 and \$2,100, respectively.

### 8. FUNCTIONAL EXPENSES

LSEC serves as a vehicle for providing educational resources in the Lawrenceburg area. Expenses related to providing this service for the years ended December 31, 2009 and 2008 are classified as follows:

	<u>2009</u>	<u>2008</u>
Provision of educational resources	\$ 801,094	\$ 764,784
General and administrative expenses	<u>25,044</u>	<u>23,938</u>
	<u>\$ 826,138</u>	<u>\$ 788,722</u>

### 9. CONCENTRATION OF CREDIT RISK

LSEC maintains its cash in bank deposit accounts at two financial institutions insured by the Federal Deposit Insurance Corporation at its current coverage levels. LSEC has not experienced any losses in such accounts. LSEC believes it is not exposed to any significant credit risk on cash.

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