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October 3, 2013

Board of Directors
Shafer and Freeman Lakes Environmental
Conservation Corporation
204-C North Main
Monticello, IN 47960

We have reviewed the audit report prepared by Reed & Company, P.C., Independent Public Accountants, for the period January 1, 2009 to December 31, 2010. 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 Shafer and Freeman Lakes Environmental Conservation Corporation, as of December 31, 2010, and the results of its operations for the period then ended, on the basis of accounting described in the report except for the value of the land donated in 1997 to the Conservation Corporation.

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

STATE BOARD OF ACCOUNTS

**Shafer & Freeman Lakes Environmental
Conservation Corporation**

**Audited Financial Statements
December 31, 2010 and 2009**

Shafer & Freeman Lakes Environmental Conservation Corporation

Table of Contents

Independent Auditor's Report	1-2
<i>Financial Statements</i>	
Statements of Assets, Liabilities and Net Assets-Cash Basis	3
Statements of Support, Revenue and Expenses-Cash Basis	4
Statements of Changes in Net Assets-Cash Basis	5
Notes to the Financial Statements	6-17
<i>Supplementary Information</i>	
Schedules of Functional Expenses-Cash Basis	18-19
Schedules of Federal, State and Local Grant Awards	20



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shafer & Freeman Lakes Environmental Conservation Corporation
Monticello, Indiana

We have audited the accompanying statements of assets, liabilities and net assets-cash basis of Shafer & Freeman Lakes Environmental Conservation Corporation (an Indiana nonprofit organization) as of December 31, 2010 and 2009, and the related statements of support, revenue and expenses-cash basis, and changes in net assets-cash basis 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 audit.

Except as discussed in the following paragraph, we conducted our audit 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 require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As described in the footnotes, we were unable to confirm the fair market value of the appraised land, which was donated to Shafer & Freeman Lakes Environmental Conservation Corporation in 1997, and we were not able to apply other auditing procedures to satisfy ourselves as to the value of the land. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying statements of assets, liabilities and net assets-cash basis as of December 31, 2010 and 2009.

As described in the footnotes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the statements of support, revenue and expenses-cash basis and changes in net assets-cash basis of Shafer & Freeman Lakes Environmental Conservation Corporation referred to above present fairly, in all material respects, its support, revenue, expenses, and changes in net assets for the years ended December 31, 2010 and 2009, on the basis of accounting described in the footnotes.

The schedules of functional expenses-cash basis and federal, state and local grant awards 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.

Beed & Company, P.C.

Lafayette, Indiana
June 14, 2011

Shafer & Freeman Lakes Environmental Conservation Corporation

Statements of Assets, Liabilities and Net Assets-Cash Basis
December 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 429,606	\$ 277,069
Certificates of deposit	0	50,239
Bonds	32,375	30,212
Total Current Assets	461,981	357,520
FIXED ASSETS		
Equipment	937,580	1,162,958
Land	27,255,011	27,302,775
Leasehold improvements	4,083	4,083
	28,196,674	28,469,816
Less: accumulated depreciation	(872,066)	(991,649)
Total Fixed Assets	27,324,608	27,478,167
OTHER ASSETS		
Certificates of deposit	50,746	0
Bonds	198,622	225,903
Beneficial interest in funds held by others	4,984	4,404
Total Other Assets	254,352	230,307
TOTAL ASSETS	\$ 28,040,941	\$ 28,065,994
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payroll taxes withheld	\$ 856	\$ 1,343
NET ASSETS		
Unrestricted	28,035,085	28,059,651
Permanently restricted	5,000	5,000
Total Net Assets	28,040,085	28,064,651
TOTAL LIABILITIES AND NET ASSETS	\$ 28,040,941	\$ 28,065,994

See Accompanying Notes to Financial Statements

**Shafer & Freeman Lakes Environmental
Conservation Corporation**

Statements of Support, Revenue and Expenses-Cash Basis
For the Years Ended December 31, 2010 and 2009

	2010	2009
UNRESTRICTED NET ASSETS		
REVENUE AND PUBLIC SUPPORT		
Contributions	\$ 13,628	\$ 14,414
License	159,081	161,521
Grant	251,987	527,458
Rental income	3,525	3,525
Interest income	16,978	23,495
Gain on investments	5,390	7,220
Gain on investments held by others	580	938
Other revenue	865	1,660
Total Revenue and Public Support	452,034	740,231
EXPENSES		
Program	402,384	624,828
Management and general	155,567	152,629
Fundraising	0	0
Total Expenses	557,951	777,457
OTHER INCOME AND (EXPENSES)		
Gain (loss) on sale of assets	81,351	(282)
DECREASE IN NET ASSETS	\$ (24,566)	\$ (37,508)

See Accompanying Notes to Financial Statements

**Shafer & Freeman Lakes Environmental
Conservation Corporation**

Statements of Changes in Net Assets-Cash Basis
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Balance at the Beginning of the Year	\$ 28,059,651	\$ 28,102,159
Prior Period Adjustment	<u>0</u>	<u>(5,000)</u>
Balance at the Beginning of the Year, Restated	28,059,651	28,097,159
Decrease in Net Assets	<u>(24,566)</u>	<u>(37,508)</u>
Balance at the End of the Year	<u>\$ 28,035,085</u>	<u>\$ 28,059,651</u>
PERMANENTLY RESTRICTED NET ASSETS		
Balance at the Beginning of the Year	\$ 5,000	\$ 0
Prior Period Adjustment	<u>0</u>	<u>5,000</u>
Balance at the Beginning of the Year, Restated	5,000	5,000
No Activity	<u>0</u>	<u>0</u>
Balance at the End of the Year	<u>\$ 5,000</u>	<u>\$ 5,000</u>

See Accompanying Notes to Financial Statements

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Shafer & Freeman Lakes Environmental Conservation Corporation was incorporated under the laws of the State of Indiana on July 6, 1992. The Organization's purpose is to conduct itself in a way to protect and enhance the lakes located in north central Indiana in order to facilitate public recreational use. The Organization will accomplish this purpose through various activities, including but not limited to, the issuance and administration of permits for the use of shoreline property, monitoring shoreline quality and ensuring continued public use.

Basis of Accounting

The financial statements of Shafer & Freeman Lakes Environmental Conservation Corporation have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Modifications to the cash basis of accounting include recording depreciation on property and equipment and recording investments at fair value. Accordingly, revenue is recorded when received rather than when earned and expenses and purchases are recorded when cash is disbursed rather than when the obligation is incurred.

Concentration of Credit Risk for Cash Held at Bank

Shafer & Freeman Lakes Environmental Conservation Corporation maintains cash balances at three banks. Accounts at each institution are insured by the FDIC up to \$250,000. The FDIC will revert back to \$100,000 on December 31, 2013. The cash and money funds held at the brokerage accounts are insured by SIPC. The SIPC covers up to \$100,000 of cash or \$500,000 of the investment balance, which includes mutual funds.

The amount of cash in excess of the insured limits at December 31, 2010 and 2009 was \$3,560 and \$38,567.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are carried at cost. Major additions and improvements are added to the equipment accounts while maintenance, repairs, and replacements, which do not improve or extend the lives of assets, are expensed currently. Depreciation is provided using straight-line and double declining balance methods. The useful lives of the property and equipment for purposes of computing depreciation are:

Equipment	3 - 10 years
Leasehold Improvements	15 - 39 years

Depreciation expense for 2010 and 2009 was \$77,252 and \$112,797.

When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is reflected in earnings or in the cost of the replacement assets.

Donated Assets

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation only if the donation is a capital asset and is added to the depreciation schedule. Donations of non-capital assets are not recorded.

Expense Allocation

Expenses are charged to programs and supporting services on the basis of periodic expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Significant Group Concentrations of Credit Risk

During the years ended December 31, 2010 and 2009, Shafer & Freeman Lakes Environmental Conservation Corporation received approximately 55.7% and 44.8% of its revenues from the County Innkeepers' Tax.

Date of Management Review

Management has evaluated subsequent events through June 14, 2011, the date on which the draft of the financial statements was available.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of assets, liabilities and net assets—cash basis. Unrestricted gains and losses are included in the statement of support, revenue and expenses—cash basis.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the first-in, first-out method.

Following is a summary of cash and investments as of December 31:

	<u>2010</u>	<u>2009</u>
Cash and money funds at brokerage account	\$ 3	\$ 138,567
Certificates of deposit	50,746	50,239
Corporate bonds	151,625	166,066
Municipal bonds	46,997	56,849
Foreign bond	<u>32,375</u>	<u>33,200</u>
Cash and Investments	<u>\$ 281,746</u>	<u>\$ 444,921</u>

Following is the activity during the year ended December 31:

	<u>2010</u>	<u>2009</u>
Balance, January 1	\$ 444,921	\$ 415,228
Interest and dividends	16,208	22,473
Withdrawal	(184,772)	0
Realized loss	(1,309)	(267)
Unrealized gain	6,698	7,487
Balance, December 31	<u>\$ 281,746</u>	<u>\$ 444,921</u>

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

INVESTMENTS, continued

Certificates of Deposit

Shafer & Freeman Lakes Environmental Conservation Corporation has the following certificates of deposit as of December 31:

	2010	2009
Farmers & Merchants Bank CD with an interest rate of 3.8%, which matures on February 18, 2010.	\$ 0	\$ 50,239
Beal Bank Nevada CD with an interest rate of 2.05%, which matures on March 3, 2013.	25,361	0
Cit Bank CD with an interest rate of 2.1%, which matures on April 8, 2013.	25,385	0
Total Certificates of Deposit	\$ 50,746	\$ 50,239

Corporate Bonds

Shafer & Freeman Lakes Environmental Conservation Corporation has the following corporate bonds as of December 31:

	2010	2009
Bank of America Note with an interest rate of 7.8%, which matures on February 15, 2010.	\$ 0	\$ 20,143
Fifth Third Bank NW Note with an interest rate of 6.25%, which matures on May 1, 2013.	108,454	103,851
General Elec Corp Note with an interest rate of 5.4%, which matures on February 15, 2017.	43,171	42,072
Total Corporate Bonds	\$ 151,625	\$ 166,066

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

INVESTMENTS, continued

Municipal Bonds

Shafer & Freeman Lakes Environmental Conservation Corporation has the following municipal bonds as of December 31:

	2010	2009
Polk Cnty, IA Health Care Bond with an interest rate of 7.0%, which matures on April 1, 2010.	\$ 0	\$ 10,069
Massachusetts St. Port Note with an interest rate of 13.0%, which matures on July 1, 2013.	17,630	18,534
Chicago IL Pub Bldg Note with an interest rate of 6.5%, which matures on January 1, 2017.	29,367	28,246
Total Municipal Bonds	\$ 46,997	\$ 56,849

Foreign Bond

Shafer & Freeman Lakes Environmental Conservation Corporation has the following foreign bond as of December 31:

	2010	2009
Midland Bank PLC Sub Note with an interest rate of 6.95%, which matures on March 15, 2011.	\$ 32,375	\$ 33,200

BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

During the year ended December 31, 2007, the Organization transferred \$5,000 to the White County Community Foundation to create a designated endowment fund. The Organization established the endowment to secure resources that will help to fund the future goals and needs of the Organization. The Organization is the beneficiary of the annual earnings of the fund, net of investment fees. The Foundation does not have variance power. The fair market value of the fund was \$4,984 and \$4,404 at December 31, 2010 and 2009, respectively. The fair value of the assets in the Community Foundation of Greater Lafayette are obtained from various quotation services and are provided to the Organization by the Foundation management.

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS, continued

The Board of Directors of Shafer & Freeman Lakes Environmental Conservation Corporation has interpreted UPMIFA as requiring the administration of endowment funds pursuant to its gift instruments and Community Foundation policy. The Board of Directors administers its endowment and appropriates a portion of endowment funds for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

For the year ended December 31, 2010, the Organization had the following endowment related activities:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Beginning of Year	\$ (596)	\$ 5,000	\$ 4,404
Earnings	135	0	135
Unrealized gain	1,086	0	1,086
Realized loss	(564)	0	(564)
Fees	(77)	0	(77)
End of Year	<u>\$ (16)</u>	<u>\$ 5,000</u>	<u>\$ 4,984</u>

For the year ended December 31, 2009, the Organization had the following endowment related activities:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Beginning of Year	\$ 3,466	\$ 0	\$ 3,466
Prior Period Adjustment	(5,000)	5,000	0
Earnings	145	0	145
Unrealized gain	647	0	647
Realized gain	199	0	199
Fees	(53)	0	(53)
End of Year	<u>\$ (596)</u>	<u>\$ 5,000</u>	<u>\$ 4,404</u>

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS, continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets are \$16 and \$596 as of December 31, 2010 and 2009. These deficiencies resulted from unfavorable market fluctuations that occurred.

Return Objectives and Risk Parameters

Shafer & Freeman Lakes Environmental Conservation Corporation has adopted spending and investment 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 Organization must hold in perpetuity or for a donor-specified period as well as board designated assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that ensure the future growth of the assets is sufficient to exceed the rate of inflation and provide for distribution of earnings, net of fees. All investment decisions have been delegated to the Finance Committee of Shafer & Freeman Lakes Environmental Conservation Corporation.

Investment Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Organization's portfolio offers pooled investments that are diversified among asset classes and investment styles as offered by the Community Foundation, thus minimizing the risk of large losses over a defined investment horizon.

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS, continued

Spending Policy

The spending rate for distributable earnings will be set by the Board of Directors each year. The Board of Directors will act prudently and responsibly when deciding on a distribution that will allow for growth in the endowment fund over the course of time. The Board of Directors oversees the management of all assets taking into account the purposes, terms and distribution requirements expressed by the governing instruments. The Board of Directors will exercise reasonable care, skill and caution in order to ensure preservation of all funds. The spending rate will be no more than 5% of a 3-year trailing average (calculated as of September 30 of the previous year) of the market value of each fund. Distributions that would invade the historic value of a particular fund are limited to interest and dividends.

Classification of Net Assets

True endowment funds are funds that are permanently restricted. The historic dollar value or contributions made to the fund is considered permanently restricted. All gains, losses and investment earnings are considered temporary restrictions. In the event that there is a loss on the fund in excess of the earnings on the fund, the deficit is recorded as unrestricted.

Contributions that are made for a restricted purpose, but are not endowed, are classified as temporarily restricted. All earnings and appropriations are also considered temporarily restricted until spent.

All other contributions to the Organization that are absent donor restriction or to be used for operations are considered unrestricted gifts to Shafer & Freeman Lakes Environmental Conservation Corporation.

FAIR VALUE MEASUREMENTS

Guidance on Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Organization has adopted Guidance on Fair Value Measurements and Disclosures as it applies to financial assets and liabilities.

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

FAIR VALUE MEASUREMENTS, continued

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 Organization has the ability to access.
- Level 2 Inputs to the valuation methodology 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;
 - 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.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the valuation techniques during the current year.

Certificates of deposit: Valued at the net asset value (NAV) of shares held by the Organization at year-end.

Bonds: Valued at the net asset value (NAV) of shares held by the Organization at year-end.

Beneficial interest in funds held by others: Valued at the net asset value (NAV) of shares held by the Organization at year-end.

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

FAIR VALUE MEASUREMENTS, continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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 financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 50,746	\$ 0	\$ 0	\$ 50,746
Bonds	230,997	0	0	230,997
Beneficial Interest	4,984	0	0	4,984
Total Assets at Fair Value	\$ 286,727	\$ 0	\$ 0	\$ 286,727

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 50,239	\$ 0	\$ 0	\$ 50,239
Bonds	256,115	0	0	256,115
Beneficial Interest	4,404	0	0	4,440
Total Assets at Fair Value	\$ 310,758	\$ 0	\$ 0	\$ 310,758

TAX STATUS

The Organization has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi).

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

TAX STATUS, continued

As of December 31, 2010, Shafer & Freeman Lakes Environmental Conservation Corporation's exempt returns for the years ended December 31, 2007, December 31, 2008, and December 31, 2009 remain subject to examination by the Federal and Indiana tax authorities.

LEASE COMMITMENTS

Shafer & Freeman Lakes Environmental Conservation Corporation is leasing office space under an operating lease arrangement for \$550 per month expiring December 30, 2012.

The Organization pays \$425 annually boat storage under a verbal agreement.

Minimum future rental payments, under the non-cancelable operating leases, as of December 31, 2010:

Year Ending December 31,	Amount
2011	\$ 6,600
2012	6,600
Total Minimum Future Rental Payments	\$ <u>13,200</u>

The total rent expense for 2010 and 2009 was \$7,025 and \$7,025.

RENTAL INCOME

Shafer & Freeman Lakes Environmental Conservation Corporation leases land to local farmers. Rental agreements are annual agreements. The total rental income for 2010 and 2009 was \$3,525 and \$3,525.

INNKEEPERS REVENUE

The White County Commissioner has awarded Shafer & Freeman Lakes Environmental Conservation Corporation funds from the Innkeepers Revenue to pay for enhancement to the lakes. The funds for 2010 and 2009 were \$251,987 and \$331,445, respectively.

Shafer & Freeman Lakes Environmental Conservation Corporation

Notes to the Financial Statements
December 31, 2010 and 2009

PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to increase permanently restricted net assets and reduce unrestricted net assets for the endowment funds that were transferred to the Community Foundation. This adjustment has no effect on the total net assets as of December 31, 2008. The adjustment was to record permanently restricted net assets of \$5,000.

LAND VALUATION

Our auditors were unable to obtain a confirmation concerning the fair market value of the appraised land, which was donated to Shafer & Freeman Lakes Environmental Conservation Corporation in 1997 from NIPSCO, and were unable to apply other auditing procedures to satisfy themselves as to the value of the land. The value of the land as determined by NIPSCO was \$26,320,036 at the date of donation. Since the value of this donated land is material to the financial statements, they were unable to issue an unqualified opinion on the statements of assets, liabilities and net assets-cash basis.

**Shafer & Freeman Lakes Environmental
Conservation Corporation**

Schedule of Functional Expenses-Cash Basis
For the Year Ended December 31, 2010

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 0	\$ 2,129	\$ 0	\$ 2,129
Bank charges	0	270	0	270
Contract services	46,958	0	0	46,958
Depreciation	75,382	1,870	0	77,252
Fuel	37,401	0	0	37,401
Insurance	62,020	0	0	62,020
Legal and professional fees	0	5,524	0	5,524
Office expense	0	3,207	0	3,207
Postage	0	4,149	0	4,149
Printing	0	2,538	0	2,538
Rent	425	6,600	0	7,025
Repairs and maintenance	16,482	0	0	16,482
Salaries	141,609	116,352	0	257,961
Payroll taxes	12,236	10,053	0	22,289
Supplies	6,418	0	0	6,418
Telephone	719	2,875	0	3,594
Utilities	2,734	0	0	2,734
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 402,384</u>	<u>\$ 155,567</u>	<u>\$ 0</u>	<u>\$ 557,951</u>

See Accompanying Notes to Financial Statements

**Shafer & Freeman Lakes Environmental
Conservation Corporation**

Schedule of Functional Expenses-Cash Basis
For the Year Ended December 31, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 0	\$ 1,512	\$ 0	\$ 1,512
Bank charges	0	218	0	218
Contract services	32,443	0	0	32,443
Depreciation	110,935	1,862	0	112,797
Fish stocking	9,299	0	0	9,299
Fuel	60,023	0	0	60,023
Insurance	65,918	0	0	65,918
Legal and professional fees	0	10,456	0	10,456
Lobbying	3,050	0	0	3,050
Office expense	0	2,759	0	2,759
Postage	0	2,220	0	2,220
Printing	0	3,205	0	3,205
Rent	425	6,600	0	7,025
Repairs and maintenance	19,873	0	0	19,873
Salaries	225,555	111,248	0	336,803
Payroll taxes	19,785	9,758	0	29,543
Supplies	74,325	0	0	74,325
Telephone	698	2,791	0	3,489
Utilities	2,499	0	0	2,499
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 624,828</u>	<u>\$ 152,629</u>	<u>\$ 0</u>	<u>\$ 777,457</u>

See Accompanying Notes to Financial Statements

**Shafer & Freeman Lakes Environmental
Conservation Corporation**

Schedules of Federal, State and Local Grant Awards
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
STATE GRANT AWARDS		
INDIANA DEPARTMENT OF NATURAL RESOURCES		
Funds expended	\$ <u> 0</u>	\$ <u> 196,013</u>
 LOCAL FUNDS		
INNKEEPERS REVENUE		
Funds expended	\$ <u> 251,987</u>	\$ <u> 331,445</u>

See Accompanying Notes to Financial Statements