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May 30, 2014

Board of Directors
South Dearborn Schools Endowment Corp.
6109 Squire Place
Aurora, IN 47001

We have reviewed the audit report prepared by Sherman, Barber & Mullikin, for the period July 1, 2011 to June 30, 2012. 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 South Dearborn Schools Endowment Corp., as of June 30, 2012, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

Audited Financial Statements
June 30, 2013
and
June 30, 2012

**SHERMAN, BARBER & MULLIKIN
CERTIFIED PUBLIC ACCOUNTANTS
Madison, Indiana**

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

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SHERMAN, BARBER & MULLIKIN
— A PROFESSIONAL CORPORATION —
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Principals

Julia R. Barber, CPA
Kevin W. Mullikin, CPA
Ben M. Foley, CPA

Christine D. Dattilo, CPA
Tracy L. Wyne, CPA

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

Report on the Financial Statements

We have audited the accompanying financial statements of South Dearborn Schools Endowment Corporation (a nonprofit corporation), which comprise the Statements of Financial Position as of June 30, 2013 and June 30, 2012, and the related Statements of Activities, Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors of
South Dearborn Schools Endowment Corporation

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, 2013 and June 30, 2012, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of State and Local Financial Assistance on page 16 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sherman, Barber & Mullikin

Sherman, Barber & Mullikin

March 5, 2014

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Financial Position
June 30,**

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 397,452	\$ 382,940
Asset Held by Dearborn County Community Foundation	59,679	56,929
Investment Securities	<u>125,350</u>	<u>119,098</u>
Total Assets	<u>\$ 582,481</u>	<u>\$ 558,967</u>
 Liabilities and Net Assets		
Grants Payable	\$ 353,783	\$ 375,551
Net Assets		
Unrestricted	115,362	72,721
Temporarily Restricted	<u>113,336</u>	<u>110,695</u>
Total Net Assets	<u>228,698</u>	<u>183,416</u>
Total Liabilities and Net Assets	<u>\$ 582,481</u>	<u>\$ 558,967</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,

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Unrestricted Revenues		
Interest Income	\$ 1,502	\$ 2,147
Investment Return on Endowment Funds	4,978	2,642
City of Lawrenceburg Revenue Sharing		
Admissions Income	102,126	107,693
Wagering Income	265,304	265,304
Grant Income	658,669	658,000
License Plate Fee Income	<u>113</u>	<u>263</u>
Total Unrestricted Revenues	1,032,692	1,036,049
Net Assets Released from Restrictions	<u>6,000</u>	<u>2,000</u>
Total Unrestricted Revenues and Other Support	1,038,692	1,038,049
Expenses		
Program Services		
Grants	979,815	1,089,499
Scholarship Awards	7,000	2,000
Supporting Services		
Management and General	<u>9,235</u>	<u>9,070</u>
Total Expenses	<u>996,050</u>	<u>1,100,569</u>
Change in Unrestricted Net Assets	42,642	(62,520)

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Statements of Activities and Changes in Net Assets For the Years Ended June 30, (Continued)

	<u>2013</u>	<u>2012</u>
Temporarily Restricted Net Assets		
Contribution for Scholarship	3,000	-
Investment Income	5,640	3,732
Net Assets Released from Restrictions	<u>(6,000)</u>	<u>(2,000)</u>
Change in Temporarily Restricted Net Assets	<u>2,640</u>	<u>1,732</u>
Change in Net Assets	45,282	(60,788)
 Net Assets, Beginning of Period	 <u>183,416</u>	 <u>244,204</u>
Net Assets, End of Period	<u><u>\$ 228,698</u></u>	<u><u>\$ 183,416</u></u>

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Statements of Cash Flows For the Years Ended June 30,

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 45,282	\$ (60,788)
Add Back Noncash Items:		
(Decrease) Increase in Grants Payable	(21,768)	(558,729)
(Gain) Loss on Funds Invested with Dearborn County Community Foundation	(2,750)	(2,642)
Increase (Decrease) in Other Receivable	-	656,000
Unrealized (Gain) Loss on Available-for-Sale Securities	<u>(1,214)</u>	<u>(1,974)</u>
Net Cash Provided by Operating Activities	19,550	31,867
Cash Flows from Investing Activities		
Sale of Investments	74,241	7,889
Purchase of Investments	<u>(79,279)</u>	<u>(49,818)</u>
Net Cash Used in Investing Activities	<u>(5,038)</u>	<u>(41,929)</u>
Net Increase (Decrease) in Cash	14,512	(10,062)
Cash at Beginning of Year	<u>382,940</u>	<u>393,002</u>
Cash at End of Year	<u>\$ 397,452</u>	<u>\$ 382,940</u>

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2013 and 2012**

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, 2013 and 2012**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with United States 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements 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.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the changes of temporarily restricted net assets as required by the donor's agreement. Investment income is shown net of investment fees, realized gains and losses, and unrealized gains and losses.

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, 2013 and 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. An income tax return is filed in the U.S. federal jurisdiction. The federal income tax returns of the Corporation for 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Note 2. INVESTMENT RETURN ON ENDOWMENT FUNDS

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

	<u>2013</u>	<u>2012</u>
Investment Income	\$ 4,156	\$ 1,788
Fund Expenses	(2,644)	(1,009)
Net Unrealized Gains	<u>3,466</u>	<u>1,863</u>
Investment Return	<u>\$ 4,978</u>	<u>\$ 2,642</u>

Note 3. INVESTMENT SECURITIES AND FAIR VALUE MEASUREMENT

The amortized cost and approximate fair values of investment securities available-for-sale were as follows at June 30, 2013:

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>Securities Available-for-Sale</u>				
Mutual Funds	\$ 123,784	\$ 2,351	\$ 845	\$ 125,290
Equity Securities	<u>53</u>	<u>7</u>	<u>-</u>	<u>60</u>
Total Securities Available-for-Sale	<u>\$ 123,837</u>	<u>\$ 2,358</u>	<u>\$ 845</u>	<u>\$ 125,350</u>

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2013 and 2012

INVESTMENT SECURITIES AND FAIR VALUE MEASUREMENT (Continued)

The amortized cost and approximate fair values of investment securities available-for-sale were as follows at June 30, 2012:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>Securities Available-for-Sale</u>				
Mutual Funds	\$ 79,022	\$ 702	\$ 1,005	\$ 78,719
Equity Securities	<u>39,777</u>	<u>2,261</u>	<u>1,659</u>	<u>40,379</u>
Total Securities Available-for-Sale	<u>\$ 118,799</u>	<u>\$ 2,963</u>	<u>\$ 2,664</u>	<u>\$ 119,098</u>

Temporarily Restricted investment income consisted of the following at June 30:

	2013	2012
Investment Income	\$ 5,470	\$ 4,376
Fund Expenses	(1,495)	(1,654)
Realized Gains (Losses)	451	(964)
Net Unrealized Gains	<u>1,214</u>	<u>1,974</u>
Investment Return	<u>\$ 5,640</u>	<u>\$ 3,732</u>

Determination of Fair Value:

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic FASB ASC, the fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in a settlement of the instrument.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2013 and 2012**

INVESTMENT SECURITIES AND FAIR VALUE MEASUREMENT (Continued)

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with the guidance, the Corporation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value.

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2013 and 2012

INVESTMENT SECURITIES AND FAIR VALUE MEASUREMENT (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

<u>Fair Value Measurements at Reporting Date Using</u>				
		Quoted Prices in Active Markets for Identical Assets/ Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>June 30, 2013</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investment Securities	<u>\$ 125,350</u>	<u>\$ 60</u>	<u>\$ 125,290</u>	<u>\$ -</u>
<u>June 30, 2012</u>				
Investment Securities	<u>\$ 119,098</u>	<u>\$ 40,379</u>	<u>\$ 78,719</u>	<u>\$ -</u>

Note 4. 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.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2013 and 2012**

FUNDING SOURCES (Continued)

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.

During the years ended June 30, 2013 and 2012, the Corporation also received grants from the City of Lawrenceburg of \$658,669 and \$658,000, respectively.

Note 5. **GRANTS PAYABLE**

At June 30, 2013 and June 30, 2012, there were grants awarded, but not yet disbursed, of \$353,783 and \$375,551, respectively. The events requiring disbursement of the funds had not yet occurred.

Note 6. **CONCENTRATIONS OF CREDIT RISK**

The Corporation maintains its cash at federally insured financial institutions. At times, such balances may be in excess of the FDIC insurance limit. At June 30, 2013, the Corporation's uninsured balance was \$153,402.

Note 7. **TEMPORARILY RESTRICTED NET ASSETS**

In prior years the Corporation received restricted donations to be used for college scholarships for graduating seniors at South Dearborn Schools. There were no temporarily restricted donations received during the years ended June 30, 2013 and June 30, 2012. As of June 30, 2013 and 2012, \$113,336 and \$110,695, respectively, of these temporarily restricted assets remained.

Note 8. **SUBSEQUENT EVENTS**

Management has evaluated events through March 5, 2014, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Schedules of State and Local Financial Assistance

	<u>For the Year Ended June 30, 2013</u>	<u>For the Year Ended June 30, 2012</u>
City of Lawrenceburg	<u>\$ 1,026,099</u>	<u>\$ 1,030,997</u>
Treasurer of Dearborn County	<u>\$ 113</u>	<u>\$ 263</u>

See Independent Auditor's Report and Notes to Financial Statements.