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February 2, 2018

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

We have reviewed the report prepared by South Dearborn Schools Endowment Corporation and opined upon by Sherman, Barber & Mullikin, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of South Dearborn Schools Endowment Corporation as of June 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Sherman, Barber & Mullikin prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

Audited Financial Statements
June 30, 2016
and
June 30, 2015

SHERMAN, BARBER & MULLIKIN
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	5 - 6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 13
SUPPLEMENTAL INFORMATION	
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE	15



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, 2016 and June 30, 2015, 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, 2016 and June 30, 2015, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of State and Local Financial Assistance is presented for purposes of additional analysis and is 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
Madison, Indiana

January 16, 2017

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Financial Position
June 30,**

	2016	2015
Assets		
Cash	\$ 245,196	\$ 245,212
Restricted Cash - Scholarship Endowment Fund	351	1,223
Asset Held by Community Foundation - Endowment Fund	56,215	61,208
Investment - Scholarship Endowment Fund	134,145	138,672
Total Assets	\$ 435,907	\$ 446,315
 Liabilities and Net Assets		
Grants Payable	\$ 201,395	\$ 186,016
Net Assets		
Unrestricted	107,032	128,421
Temporarily Restricted	127,480	131,878
Total Net Assets	234,512	260,299
Total Liabilities and Net Assets	\$ 435,907	\$ 446,315

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

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

	2016	2015
Unrestricted Net Assets		
Unrestricted Revenues		
Interest Income	\$ 1,487	\$ 1,216
Investment Return on Community Foundation Funds	(2,516)	(1,883)
City of Lawrenceburg Revenue Sharing		
Admissions Income	90,493	97,070
Wagering Income	148,450	163,440
Grant Income	240,562	314,845
License Plate Fee Income	38	94
Total Unrestricted Revenues	478,514	574,782
Net Assets Released from Restrictions	4,000	-
Total Unrestricted Revenues and Other Support	482,514	574,782
Expenses		
Program Services		
Grants	487,351	616,671
Scholarship Awards	4,000	-
Supporting Services		
Management and General	12,552	12,288
Total Expenses	503,903	628,959
Change in Unrestricted Net Assets	(21,389)	(54,177)

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>2016</u>	<u>2015</u>
Temporarily Restricted Net Assets		
Investment Income (Loss) on Endowment Funds	(398)	(1,128)
Net Assets Released from Restrictions	<u>(4,000)</u>	<u>-</u>
Change in Temporarily Restricted Net Assets	<u>(4,398)</u>	<u>(1,128)</u>
Change in Net Assets	(25,787)	(55,305)
Net Assets, Beginning of Period	<u>260,299</u>	<u>315,604</u>
Net Assets, End of Period	<u>\$ 234,512</u>	<u>\$ 260,299</u>

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

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

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (25,787)	\$ (55,305)
Add Back Noncash Items:		
Decrease/(Increase) in Grants Payable	20,379	(36,833)
Loss on Funds Invested with Community Foundation	3,209	4,313
Investment Loss	<u>398</u>	<u>1,128</u>
Net Cash Used in Operating Activities	(1,801)	(86,697)
Cash Flows from Investing Activities		
Fund Payout - Asset Held by Community Foundation	<u>1,785</u>	<u>-</u>
Net Increase (Decrease) in Cash	(16)	(86,697)
Cash at Beginning of Year	<u>245,212</u>	<u>331,909</u>
Cash at End of Year	<u>\$ 245,196</u>	<u>\$ 245,212</u>
 Supplemental Disclosures of Non-Cash Investing & Financing Activities		
Grants paid from Endowment Fund Investment	<u>\$ 5,000</u>	<u>\$ 4,000</u>

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2016 and 2015**

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.

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.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2016 and 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, all unrestricted 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 - Endowment Fund

The Corporation has a beneficial interest in endowment funds held at the Dearborn County Community Foundation. Prior to June 30, 2000, the Corporation transferred \$65,000 of its assets to the Community Foundation. Variance power was granted 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.

These funds are reported at fair value based on values reported by the Community Foundation. The Community Foundation determines the fair values based on the unit value of the Corporation's interest in the pools in which it has invested. The unit value is based on the fair value of the underlying assets in the pools.

The investment return on these endowment funds is not restricted. Any distribution of income received is included in operating funds. Fund administrative expenses of .4% of the market value of the fund at June 30 and December 31 are charged against the investment return.

Scholarship Endowment Fund

In prior years the Corporation received restricted donations to be used for college scholarships for graduating seniors at South Dearborn Schools. These funds have been set aside as endowment funds and invested in mutual funds. There were no additions contributed to this fund during the current or prior year. All earnings on these funds are temporarily restricted for scholarships. Expenditures are made from the endowment only for scholarships that have been approved by the scholarship committee.

These funds are held as investments and 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.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2016 and 2015**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Fair Value is defined as 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. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

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.

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.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 2. **ASSET HELD BY COMMUNITY FOUNDATION**

The fund activity consisted of the following for the years ended June 30:

	2016	2015
Balance, July 1	\$ 61,208	\$ 65,521
Investment Income	2,303	2,677
Fund Expenses	(1,116)	(1,146)
Grant Payout	(1,784)	(1,750)
Net Unrealized Gains (Losses)	(4,396)	(4,194)
Balance, June 30	\$ 56,215	\$ 61,108

An additional \$693 and \$780 was received from the Community Foundation and included in Investment Income at June 30, 2016 and 2015, respectively.

Note 3. **SCHOLARSHIP ENDOWMENT FUNDS**

The fund activity consisted of the following for the years ended June 30:

	2016	2015
Balance, July 1	\$ 139,895	\$ 145,023
Investment Income	9,713	9,617
Fund Expenses	(667)	(1,500)
Scholarships Funded	(5,000)	(4,000)
Realized Gains (Losses)	66	786
Net Unrealized Gains (Losses)	(9,511)	(10,031)
Balance, June 30	\$ 134,496	\$ 139,895

At June 30, 2016 and 2015, respectively, there were \$7,000 and \$8,000 of the scholarship endowment appropriated for expenditure.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 4. ENDOWMENT FUNDS

The scholarship endowment fund and Community Foundation endowment funds are managed in accordance with the UPMIFA. The objective is to maintain the value of the funds.

The Corporation and the Community Foundation follow investment and spending policies for endowment funds that protect the assets, preserve spending capacity of the fund income, maintain a diversified portfolio of assets that meets investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations, and comply with applicable laws.

The composition of the endowment by net asset class at June 30 was:

	2016	2015
Unrestricted	\$ 63,231	\$ 69,225
Temporarily Restricted	\$ 127,480	\$ 131,878

Note 5. Fair Value Measurements

The following table summarizes assets measured at fair value by classification within the fair value hierarchy.

		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2016</u>	<u>Fair Value</u>			
Mutual Funds	<u>\$ 134,145</u>	<u>\$ -</u>	<u>\$ 134,145</u>	<u>\$ -</u>
Asset Held at Community Fdn.	<u>\$ 56,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,215</u>
<u>June 30, 2015</u>				
Mutual Funds	<u>\$ 138,672</u>	<u>\$ -</u>	<u>\$ 138,672</u>	<u>\$ -</u>
Asset Held at Community Fdn.	<u>\$ 61,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,208</u>

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2016 and 2015

Note 6. 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.

During the year ended June 30, 2016, the Corporation also received a grant from the City of Lawrenceburg of \$240,562.

Note 7. GRANTS PAYABLE

At June 30, 2016 and June 30, 2015, there were grants awarded, but not yet disbursed, of \$201,395 and \$186,016, respectively. The events requiring disbursement of the funds had not yet occurred.

Note 8. SUBSEQUENT EVENTS

Management has evaluated events through January 16, 2017, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Schedule of State and Local Financial Assistance - Cash Basis
For the Year Ended June 30, 2016**

	<u>Received</u>	<u>Disbursed</u>
City of Lawrenceburg: Revenue Sharing - Gaming	<u>\$ 479,505</u>	<u>\$ 482,036</u>
Treasurer of Dearborn County: Educational License Plate Fund	<u>\$ 38</u>	<u>\$ 38</u>

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