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December 11, 2019

Board of Directors
Lawrenceburg Schools Endowment Corporation
322 Walnut Street
Lawrenceburg, IN 47025

We have reviewed the audit report of Lawrenceburg Schools Endowment Corporation, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Lawrenceburg Schools Endowment Corporation as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Co., LLC prepared the audit report in accordance with 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
Paul D. Joyce, CPA
State Examiner

**LAWRENCEBURG SCHOOLS
ENDOWMENT CORPORATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

CPAs / ADVISORS



LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Lawrenceburg Schools Endowment Corporation
Lawrenceburg, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Lawrenceburg Schools Endowment Corporation ("LSEC") which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, 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 accounting 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LSEC as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2018, the LSEC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Blue & Co., LLC

Seymour, Indiana

April 30, 2019

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017 As Restated
	<u>2018</u>	<u>As Restated</u>
Cash	\$ 306,701	\$ 658,141
Certificates of deposit	593,746	582,798
Investments	531,598	313,150
Nonpermanent donor advised fund	<u>72,723</u>	<u>59,797</u>
Total assets	<u>\$ 1,504,768</u>	<u>\$ 1,613,886</u>

NET ASSETS

Without donor restrictions	<u>\$ 1,504,768</u>	<u>\$ 1,613,886</u>
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See accompanying notes to financial statements.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017 As Restated
Support and revenues		
Governmental support	\$ 230,664	\$ 216,305
Interest income	52,449	31,180
Unrealized gains (losses) on investments	<u>(71,157)</u>	<u>42,929</u>
Total support and revenues	211,956	290,414
Expenses		
Provision of educational resources	295,436	368,132
General and administrative expenses	<u>25,638</u>	<u>27,092</u>
Total expenses	<u>321,074</u>	<u>395,224</u>
Change in net assets	(109,118)	(104,810)
Net assets at beginning of year	<u>1,613,886</u>	<u>1,718,696</u>
Net assets at end of year	<u>\$ 1,504,768</u>	<u>\$ 1,613,886</u>

See accompanying notes to financial statements.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Provision of educational resources	General and administrative	Total
	<u> </u>	<u> </u>	<u> </u>
Grants	\$ 295,436	\$ -0-	\$ 295,436
Professional fees	-0-	10,558	10,558
Administration services	-0-	15,000	15,000
Miscellaneous	<u>-0-</u>	<u>80</u>	<u>80</u>
Total expenses	<u>\$ 295,436</u>	<u>\$ 25,638</u>	<u>\$ 321,074</u>

See accompanying notes to financial statements.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating activities		
Change in net assets	\$ (109,118)	\$ (104,810)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Reinvested interest earned on certificates of deposit	(10,948)	(11,092)
Reinvested interest on investments	(39,605)	(19,403)
Unrealized losses (gains) on investments	<u>71,157</u>	<u>(42,929)</u>
Net cash flows from operating activities	(88,514)	(178,234)
Investing activities		
Purchase of certificates of deposit	(404,657)	-0-
Maturities of certificates of deposit	404,657	-0-
Purchase of investments	(250,000)	-0-
Change in nonpermanent donor advised fund	<u>(12,926)</u>	<u>25,434</u>
Net cash flows from investing activities	<u>(262,926)</u>	<u>25,434</u>
Net change in cash	(351,440)	(152,800)
Cash, beginning of year	<u>658,141</u>	<u>810,941</u>
Cash, end of year	<u>\$ 306,701</u>	<u>\$ 658,141</u>

See accompanying notes to financial statements.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Lawrenceburg Schools Endowment Corporation ("LSEC") was incorporated in May 1997 to provide educational resources to schools in the Lawrenceburg Community School Corporation 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

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use are classified and reported as net assets without donor restrictions. Currently, LSEC does not have any net assets subject to donor stipulations for specific purposes or time restrictions.

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 Statements of Activities in the periods in which such changes occur.

Nonpermanent Donor Advised Fund

LSEC has established a nonpermanent donor advised fund with the 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. The Dearborn Community Foundation records the established fund as a custodial fund.

Dearborn Community Foundation receives an annual administrative fee from LSEC paid quarterly to provide accounting services and grants administration.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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 Statements of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses are allocated based upon estimates of effort and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

LSEC is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by LSEC and recognize a tax liability if LSEC has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by LSEC, and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. LSEC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, LSEC is generally exempt from income taxes. However, LSEC is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about LSEC's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 April 30, 2019.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, LSEC adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. LSEC has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 7), and disclosures related to the functional allocation of expenses were expanded (Note 1).

The impact of the adoption of ASU No. 2016-14 on the LSEC's net assets are as follows:

Statement of Financial Position

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Unrestricted net assets	\$ 1,613,886	\$ (1,613,886)	\$ -0-
Without donor restrictions	<u>-0-</u>	<u>1,613,886</u>	<u>1,613,886</u>
Total net assets	<u>\$ 1,613,886</u>	<u>\$ -0-</u>	<u>\$ 1,613,886</u>

Statement of Activities

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Changes in unrestricted net assets	\$ (104,810)	\$ 104,810	\$ -0-
Changes in net assets without donor restrictions	<u>-0-</u>	<u>(104,810)</u>	<u>(104,810)</u>
Total changes in net assets	<u>\$ (104,810)</u>	<u>\$ -0-</u>	<u>\$ (104,810)</u>

There was no significant impact to the statement of cash flows as a result of adopting this ASU.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. CERTIFICATES OF DEPOSIT

Certificates of deposit are recorded at cost plus accrued interest and consist of the following at December 31, 2018 and 2017:

2018			2017		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
\$ 204,238	10/31/2019	2.55%	\$ 202,462	11/1/2018	1.05%
204,495	12/3/2019	2.55%	202,195	12/2/2018	1.01%
<u>185,013</u>	2/16/2021	4.00%	<u>178,141</u>	2/16/2021	4.00%
<u>\$ 593,746</u>			<u>\$ 582,798</u>		

4. INVESTMENTS

Investments are reported at fair value and consist of large cap equity mutual funds of \$531,598 and \$313,150 at December 31, 2018 and 2017, respectively. These investments depreciated in value by \$71,157 and appreciated in value by \$42,929 during the years ended December 31, 2018 and 2017, respectively. LSEC has the ability to borrow up to \$265,798 at 6.25 percent against this account at December 31, 2018. LSEC had no borrowings outstanding against this account at December 31, 2018 and 2017.

5. RISKS AND UNCERTAINTIES

LSEC holds investments in equity mutual funds (Note 4). 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, 2018 AND 2017

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). LSEC's policy is to recognize transfers, if any, between levels as of the end of the reporting period. There were no transfers during 2018 or 2017. 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 LSEC 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'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 maximize the use of relevant 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 have been no changes in the methodologies used at December 31, 2018 and 2017.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds ("funds") are held by LSEC and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by LSEC are deemed to be actively traded.
- *Nonpermanent donor advised fund*: Valued at fair value as reported by Dearborn Community Foundation (the "Foundation"), which represents LSEC's pro-rata interest in the Foundation's assets, all of which are valued on a mark-to-market basis.

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

The following table sets forth by level, within the hierarchy, LSEC's assets measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018		
	Fair Value	Level 1	Level 3
Assets:			
Mutual funds	\$ 531,598	\$ 531,598	\$ -0-
Nonpermanent donor advised fund	72,723	-0-	72,723
	2017		
	Fair Value	Level 1	Level 3
Assets:			
Mutual funds	\$ 313,150	\$ 313,150	\$ -0-
Nonpermanent donor advised fund	59,797	-0-	59,797

The progression of the nonpermanent donor advised fund is as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Beginning balance	\$ 59,797	\$ 85,231
Contributions	208,715	90,494
Grant payments	(194,369)	(91,594)
Return of unused grant funds by Dearborn Community Foundation	(1,420)	(24,334)
Ending balance	\$ 72,723	\$ 59,797

LAWRENCEBURG SCHOOLS ENDOWMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

7. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year of the Statement of Financial Position date that are not subject to donor or other contractual restrictions comprise the following:

Cash	\$	306,701
Maturing certificates of deposit		408,733
Investments		531,598
Nonpermanent donor advised fund		<u>72,723</u>
	\$	<u>1,319,755</u>

8. CONCENTRATION OF CREDIT RISK

LSEC maintains its cash in bank deposit accounts at a financial institution 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.