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August 27, 2020

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

We have reviewed the audit report of South Dearborn Schools Endowment Corporation, which was opined upon by Sherman, Barber & Mullikin, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 2019 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 the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

Audited Financial Statements
June 30, 2019
and
June 30, 2018

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

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SHERMAN, BARBER & MULLIKIN
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

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, 2019 and June 30, 2018, and the related Statements of Activities 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, 2019 and June 30, 2018, 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.

Sherman, Barber & Mullikin

Sherman, Barber & Mullikin
Madison, Indiana

February 3, 2020

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Statements of Financial Position June 30,

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 206,222	\$ 193,606
Restricted Cash - Scholarship Endowment Fund	432	443
Investment - Scholarship Endowment Fund	150,881	146,206
Asset Held by Community Foundation - Endowment Fund	<u>59,414</u>	<u>60,820</u>
Total Assets	<u>\$ 416,949</u>	<u>\$ 401,075</u>
 Liabilities and Net Assets		
Liabilities		
Grants Payable	\$ 146,214	\$ 144,184
Net Assets		
Net Assets without Donor Restrictions	123,438	116,258
Net Assets with Donor Restrictions	<u>147,297</u>	<u>140,633</u>
Total Net Assets	<u>270,735</u>	<u>256,891</u>
Total Liabilities and Net Assets	<u>\$ 416,949</u>	<u>\$ 401,075</u>

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Activities
For the Years Ended June 30,**

	2019	2018
Net Assets without Donor Restrictions		
Revenues		
Interest Income	\$ 907	\$ 1,091
Investment Return on Community Foundation Funds	1,067	4,493
City of Lawrenceburg Revenue Sharing		
Admissions Income	69,363	87,113
Wagering Income	157,529	160,451
Grant Income	245,000	245,000
License Plate Fee Income	38	19
Total Revenues	473,904	498,167
Net Assets Released from Restrictions - Scholarships	1,000	4,000
Total Revenues and Other Support	474,904	502,167
Expenses		
Program Service	452,706	488,762
Supporting Service	15,018	14,372
Total Expenses	467,724	503,134
Change in Net Assets without Donor Restrictions	7,180	(967)
Net Assets with Donor Restrictions		
Investment Income (Loss) on Endowment Funds	7,664	7,988
Net Assets Released from Restrictions	(1,000)	(4,000)
Change in Net Assets with Donor Restrictions	6,664	3,988
Change in Net Assets	13,844	3,021
Net Assets, Beginning of Period	256,891	253,870
Net Assets, End of Period	\$ 270,735	\$ 256,891

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

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

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 13,844	\$ 3,021
Add Back Noncash Items:		
Increase in Grants Payable	5,030	1,014
Gain on Funds Invested with Community Fdn.	(375)	(3,795)
Investment Gain	(7,664)	(7,987)
Net Cash Used in Operating Activities	10,835	(7,747)
Cash Flows from Investing Activities		
Fund Payout - Asset Held by Community Foundation	1,781	1,796
Net Increase (Decrease) in Cash	12,616	(5,951)
Cash at Beginning of Year	193,606	199,557
Cash at End of Year	\$ 206,222	\$ 193,606
 Supplemental Disclosures of Non-Cash Investing & Financing Activities		
Grants paid from Endowment Fund Investment	\$ 3,000	\$ 4,000

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements **For the Years Ended June 30, 2019 and 2018**

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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, 2019 and 2018**

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 donor 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, 2019 and 2018**

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.

Financial Statement Presentation

The Corporation reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. When the donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from donor 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, 2019 and 2018

Note 2. ASSET HELD BY COMMUNITY FOUNDATION

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

	<u>2019</u>	<u>2018</u>
Balance, July 1	\$ 60,820	\$ 58,822
Investment Income	2,286	1,963
Fund Expenses	(1,090)	(1,169)
Grant Payout	(1,780)	(1,796)
Net Unrealized Gains (Losses)	(822)	3,000
Balance, June 30	<u>\$ 59,414</u>	<u>\$ 60,820</u>

An additional \$692 and \$699 was received from the Community Foundation and included in Investment Income at June 30, 2019 and 2018, respectively.

Note 3. SCHOLARSHIP ENDOWMENT FUNDS

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

	<u>2019</u>	<u>2018</u>
Balance, July 1	\$ 146,649	\$ 142,661
Investment Income	11,332	8,189
Scholarships Funded	(3,000)	(4,000)
Realized Gains (Losses)	(177)	95
Net Unrealized Gains (Losses)	(3,491)	(296)
Balance, June 30	<u>\$ 151,313</u>	<u>\$ 146,649</u>

At June 30, 2019 and 2018, there was \$4,000 and \$6,000 respectively, of the scholarship endowment appropriated for expenditure.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

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:

	2019	2018
Without Donor Restrictions	\$ 63,430	\$ 66,836
With Donor Restrictions	\$ 147,297	\$ 140,633

Note 5. FAIR VALUE MEASUREMENTS

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

	Fair Value	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, 2019</u>				
Mutual Funds	<u>\$ 150,881</u>	<u>\$ -</u>	<u>\$ 150,881</u>	<u>\$ -</u>
Asset Held at Community Fdn.	<u>\$ 59,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,414</u>
<u>June 30, 2018</u>				
Mutual Funds	<u>\$ 146,206</u>	<u>\$ -</u>	<u>\$ 146,206</u>	<u>\$ -</u>
Asset Held at Community Fdn.	<u>\$ 60,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,820</u>

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2019 and 2018

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 designed to share 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.

During the years ended June 30, 2019 and 2018, the Corporation also received a grant from the City of Lawrenceburg of \$245,000.

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.

Note 7. GOVERNMENT FUNDS RECEIVED

During the year ended June 30, 2019, the Corporation received and expended (on a cash basis) Government funds as follows:

	<u>Revenue</u>	<u>Expenses</u>
<u>State and Local Funds</u>		
City of Lawrenceburg - Admissions Income	\$ 69,363	\$ 91,703
City of Lawrenceburg - Wagering Income	157,529	170,306
City of Lawrenceburg Grant Income	245,000	245,000
Treasurer of Dearborn County - Educational License Plate Fund	<u>38</u>	<u>38</u>
Total Government Funds	<u>\$ 471,930</u>	<u>\$ 507,047</u>

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 8. **EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION**

Expenses incurred were as follows for June 30, 2019:

	Program Service	Supporting Service	
	Education	Management and General	Total
Grants	\$ 451,706	\$ -	\$ 451,706
Scholarships	1,000	-	1,000
Accounting Fees	-	9,520	9,520
Treasurer Stipend	-	5,000	5,000
Miscellaneous Expense	-	498	498
Total	\$ 452,706	\$ 15,018	\$ 467,724

Note 9. **GRANTS PAYABLE**

At June 30, 2019 and June 30, 2018, there were grants awarded, but not yet disbursed, of \$146,214 and \$144,184, respectively. The events requiring disbursement of the funds had not yet occurred.

Note 10. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Corporation's liquidity management is to maintain a cash balance to cover the grants that have been made. The following reflects the entity's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date.

	2019	2018
Financial assets, at year-end	\$ 416,949	\$ 401,075
Less those unavailable for general expenditures within one year, due to Contractual restrictions for:		
Donor-restricted for Scholarships	151,313	146,649
Funds Held by Community Foundation	59,414	60,820
Financial assets available to meet cash needs for general expenditures within one year	\$ 206,222	\$ 193,606

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 11. CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)- Presentation of Financial Statements of Not-for-Profit Entities*. The Corporation has adjusted the presentation of the financial statements accordingly, applying changes retrospectively to the comparative period presented. The new standards change the following aspects of the Corporations' financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources. See Note 10.

The changes have the following effect on net assets as of June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption</u>
Unrestricted Net Assets	\$ 116,258	\$ -
Temporarily Restricted Net Assets	140,633	-
Net Assets without Donor Restrictions	-	116,258
Net Assets with Donor Restrictions	-	140,633
Total Net Assets	<u>\$ 256,891</u>	<u>\$ 256,891</u>

Note 12. SUBSEQUENT EVENTS

Management has evaluated events through February 3, 2020 , the date the financial statements were available to be issued.