

SANTA MARIA COMMUNITY SERVICES, INC.
FINANCIAL STATEMENTS
December 31, 2010

SANTA MARIA COMMUNITY SERVICES, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

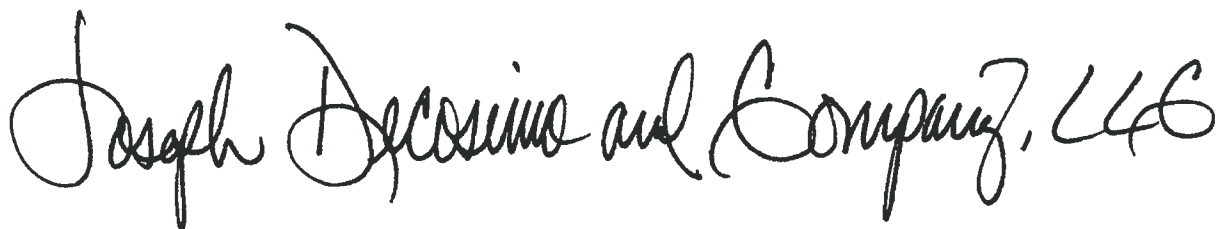
To the Board of Directors
Santa Maria Community Services, Inc.
Cincinnati, Ohio

We have audited the accompanying statements of financial position of Santa Maria Community Services, Inc., an Ohio not-for-profit organization, as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Maria Community Services, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2011, on our consideration of Santa Maria Community Service, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



Cincinnati, Ohio
July 21, 2011

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 314,866	\$ 286,737
Investments, at fair value	243,602	217,618
Grants receivable	150,128	116,149
Prepaid expenses	<u>12,319</u>	<u>38,797</u>
Total current assets	720,915	659,301
PROPERTY AND EQUIPMENT, net	432,764	438,553
OTHER ASSETS		
Deposits	<u>5,137</u>	<u>5,137</u>
TOTAL ASSETS	<u>\$ 1,158,816</u>	<u>\$ 1,102,991</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 57,868	\$ 28,458
Accrued vacation	<u>79,528</u>	<u>78,259</u>
Total liabilities	<u>137,396</u>	<u>106,717</u>
NET ASSETS		
Unrestricted	537,574	555,793
Board designated	<u>236,502</u>	<u>208,755</u>
Total unrestricted	774,076	764,548
Temporarily restricted	240,344	224,726
Permanently restricted	<u>7,000</u>	<u>7,000</u>
Total net assets	<u>1,021,420</u>	<u>996,274</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,158,816</u>	<u>\$ 1,102,991</u>

The accompanying notes are an integral part of the financial statements.

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
United Way allocations	\$ 914,000	\$ -	\$ -	\$ 914,000
Contributions	207,962	393,875	-	601,837
Special events, net of direct costs of \$26,474	22,656	-	-	22,656
Investment return	31,734	-	-	31,734
In-kind donations	2,398	-	-	2,398
Total public support and revenue	<u>1,178,750</u>	<u>393,875</u>	<u>-</u>	<u>1,572,625</u>
PROGRAM REVENUE				
Government grants	863,321	-	-	863,321
Service fees	28,231	-	-	28,231
Total program revenue	<u>891,552</u>	<u>-</u>	<u>-</u>	<u>891,552</u>
Net assets released from restriction	<u>378,257</u>	<u>(378,257)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>2,448,559</u>	<u>15,618</u>	<u>-</u>	<u>2,464,177</u>
EXPENSES				
Program services -				
Early Childhood / Parenting	898,982	-	-	898,982
Housing	364,041	-	-	364,041
Meals on Wheels	264,395	-	-	264,395
Wellness	217,089	-	-	217,089
Youth	271,832	-	-	271,832
Administrative	282,048	-	-	282,048
Development	144,252	-	-	144,252
Total expenses	<u>2,442,639</u>	<u>-</u>	<u>-</u>	<u>2,442,639</u>
OTHER INCOME (EXPENSE)				
Miscellaneous income	4,381	-	-	4,381
Loss on disposal of property and equipment	(773)	-	-	(773)
Total other income (expense)	<u>3,608</u>	<u>-</u>	<u>-</u>	<u>3,608</u>
CHANGE IN NET ASSETS	9,528	15,618	-	25,146
NET ASSETS - beginning of year	<u>764,548</u>	<u>224,726</u>	<u>7,000</u>	<u>996,274</u>
NET ASSETS - end of year	<u>\$ 774,076</u>	<u>\$ 240,344</u>	<u>\$ 7,000</u>	<u>\$ 1,021,420</u>

The accompanying notes are an integral part of the financial statements.

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
United Way allocations	\$ 915,090	\$ -	\$ -	\$ 915,090
Contributions	238,269	331,418	-	569,687
Special events, net of direct costs of \$24,472	25,868	-	-	25,868
Investment return	45,876	-	-	45,876
In-kind donations	<u>1,044</u>	<u>-</u>	<u>-</u>	<u>1,044</u>
Total public support and revenue	<u>1,226,147</u>	<u>331,418</u>	<u>-</u>	<u>1,557,565</u>
PROGRAM REVENUE				
Government grants	933,847	7,918	-	941,765
Service fees	<u>26,464</u>	<u>-</u>	<u>-</u>	<u>26,464</u>
Total program revenue	<u>960,311</u>	<u>7,918</u>	<u>-</u>	<u>968,229</u>
Net assets released from restriction	<u>410,345</u>	<u>(410,345)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>2,596,803</u>	<u>(71,009)</u>	<u>-</u>	<u>2,525,794</u>
EXPENSES				
Program services -				
Early Childhood / Parenting	966,699	-	-	966,699
Housing	356,259	-	-	356,259
Meals on Wheels	309,101	-	-	309,101
Wellness	206,314	-	-	206,314
Youth	325,732	-	-	325,732
Administrative	256,771	-	-	256,771
Development	<u>151,112</u>	<u>-</u>	<u>-</u>	<u>151,112</u>
Total expenses	<u>2,571,988</u>	<u>-</u>	<u>-</u>	<u>2,571,988</u>
OTHER INCOME (EXPENSE)				
Miscellaneous income	9,750	-	-	9,750
Loss on disposal of property and equipment	<u>(230)</u>	<u>-</u>	<u>-</u>	<u>(230)</u>
Total other income (expense)	<u>9,520</u>	<u>-</u>	<u>-</u>	<u>9,520</u>
CHANGE IN NET ASSETS	34,335	(71,009)	-	(36,674)
NET ASSETS - beginning of year	<u>730,213</u>	<u>295,735</u>	<u>7,000</u>	<u>1,032,948</u>
NET ASSETS - end of year	<u>\$ 764,548</u>	<u>\$ 224,726</u>	<u>\$ 7,000</u>	<u>\$ 996,274</u>

The accompanying notes are an integral part of the financial statements.

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	Program Services										Total
	Early Childhood / Parenting	Housing	Meals on Wheels	Wellness	Youth	Administrative	Development				
SALARIES AND RELATED EXPENSES											
Salaries and wages	\$ 574,749	\$ 185,548	\$ 87,369	\$ 104,949	\$ 150,514	\$ 164,859	\$ 88,644	\$ 1,356,632			
Employee benefits and taxes	186,114	60,532	31,133	32,148	41,844	48,146	33,024	432,941			
	<u>760,863</u>	<u>246,080</u>	<u>118,502</u>	<u>137,097</u>	<u>192,358</u>	<u>213,005</u>	<u>121,668</u>	<u>1,789,573</u>			
OPERATING EXPENSES											
Assistance to individuals	1,436	68,156	9	12,310	-	-	-	81,911			
Awards and grants	11,296	787	335	262	462	328	248	13,718			
Conferences, conventions and meetings	-	-	-	351	-	834	95	1,280			
Insurance	10,596	4,426	1,974	1,552	2,924	1,798	184	23,454			
Membership dues	1,615	470	205	161	251	213	621	3,536			
Miscellaneous	2,430	977	3,229	357	523	11,554	475	19,545			
Occupancy	18,171	8,388	7,262	3,490	6,846	20,542	4,418	69,117			
Postage	1,164	1,039	336	666	897	733	2,618	7,453			
Printing and publications	4,444	1,873	1,021	1,036	1,426	1,416	4,782	15,998			
Professional services	14,560	11,506	1,906	16,508	22,232	11,686	3,044	81,442			
Staff education	1,606	-	-	-	109	236	273	2,224			
Office supplies	3,453	2,961	842	642	2,413	1,435	552	12,298			
Supplies	23,135	5,221	120,278	35,655	33,769	3,688	3,564	225,310			
Travel	17,707	1,374	946	801	1,647	3,248	352	26,075			
Telephone	8,663	3,544	2,302	1,888	1,668	10,280	1,358	29,703			
	<u>120,276</u>	<u>110,722</u>	<u>140,645</u>	<u>75,679</u>	<u>75,167</u>	<u>67,991</u>	<u>22,584</u>	<u>613,064</u>			
DEPRECIATION											
	17,843	7,239	5,248	4,313	4,307	1,052	-	40,002			
	<u>\$ 898,982</u>	<u>\$ 364,041</u>	<u>\$ 264,395</u>	<u>\$ 217,089</u>	<u>\$ 271,832</u>	<u>\$ 282,048</u>	<u>\$ 144,252</u>	<u>\$ 2,442,639</u>			

The accompanying notes are an integral part of the financial statements.

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009

	Program Services								Total
	Early Childhood / Parenting	Housing	Meals on Wheels	Wellness	Youth	Administrative	Development		
SALARIES AND RELATED EXPENSES									
Salaries and wages	\$ 616,675	\$ 182,910	\$ 90,415	\$ 108,637	\$ 189,918	\$ 165,941	\$ 89,810	\$ 1,444,306	
Employee benefits and taxes	<u>210,539</u>	<u>49,560</u>	<u>33,640</u>	<u>34,999</u>	<u>57,484</u>	<u>53,527</u>	<u>37,019</u>	<u>476,768</u>	
	827,214	232,470	124,055	143,636	247,402	219,468	126,829	1,921,074	
OPERATING EXPENSES									
Assistance to individuals	847	68,849	-	15,097	-	-	-	84,793	
Awards and grants	11,291	654	282	250	883	236	563	14,159	
Conferences, conventions and meetings	1,348	5	52	2	5	533	381	2,326	
Insurance	6,295	3,055	968	1,063	2,792	947	664	15,784	
Membership dues	1,372	365	112	124	309	93	724	3,099	
Miscellaneous	2,295	811	446	422	876	1,739	298	6,887	
Occupancy	17,706	11,444	7,265	3,075	5,974	14,160	4,642	64,266	
Postage	2,486	1,670	343	1,101	810	1,161	932	8,503	
Printing and publications	7,418	2,483	1,306	3,929	2,600	1,942	4,750	24,428	
Professional services	15,148	6,296	1,902	19,421	14,932	3,559	5,565	66,823	
Staff education	2,760	400	160	20	-	418	310	4,068	
Office supplies	4,366	2,276	782	892	974	1,097	735	11,122	
Supplies	17,708	10,909	163,725	10,070	38,489	3,823	2,962	247,686	
Travel	19,657	841	1,062	1,296	930	2,191	325	26,302	
Telephone	<u>10,098</u>	<u>4,188</u>	<u>2,165</u>	<u>2,054</u>	<u>3,486</u>	<u>4,909</u>	<u>1,432</u>	<u>28,332</u>	
	120,795	114,246	180,570	58,816	73,060	36,808	24,283	608,578	
	<u>18,690</u>	<u>9,543</u>	<u>4,476</u>	<u>3,862</u>	<u>5,270</u>	<u>495</u>	<u>-</u>	<u>42,336</u>	
DEPRECIATION	<u>966,699</u>	<u>356,259</u>	<u>309,101</u>	<u>206,314</u>	<u>325,732</u>	<u>256,771</u>	<u>151,112</u>	<u>2,571,988</u>	

The accompanying notes are an integral part of the financial statements.

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING ACTIVITIES		
Change in net assets	\$ 25,146	\$ (36,674)
Adjustments to reconcile change in net assets to net cash flows from operating activities -		
Depreciation	40,002	42,336
Realized and unrealized gain on investments	(22,443)	(37,548)
Loss on disposal of property and equipment	773	230
Changes in operating assets and liabilities -		
Grants receivable	(33,979)	39,067
Prepaid expenses	26,478	(1,805)
Deposits	-	(1,057)
Accounts payable	29,410	3,358
Accrued vacation	<u>1,269</u>	<u>1,027</u>
Net cash flows from operating activities	<u>66,656</u>	<u>8,934</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(34,986)	(5,275)
Proceeds from sale of investment	1,507	-
Purchases of investments	<u>(5,048)</u>	<u>(6,945)</u>
Net cash flows from investing activities	<u>(38,527)</u>	<u>(12,220)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	28,129	(3,286)
CASH AND CASH EQUIVALENTS - beginning of year	<u>286,737</u>	<u>290,023</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 314,866</u>	<u>\$ 286,737</u>

The accompanying notes are an integral part of the financial statements.

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices followed by Santa Maria Community Services, Inc. are as follows:

NATURE OF OPERATIONS - Santa Maria Community Services, Inc. is a not-for-profit organization organized under the laws of the state of Ohio and operates four neighborhood-based resource centers in Cincinnati, Ohio. Neighborhood-based services, offered free of charge and in partnership with resident volunteers, include: parenting and early childhood development; youth development; housing; wellness; and meals on wheels.

BASIS OF PRESENTATION - The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Organization is required to report information regarding its financial position and activities, as applicable, according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization satisfying the purpose restriction or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal must be maintained intact in perpetuity and that only the income from the investment thereof must be expended either for the general purpose of the Organization or for purposes specified by the donor. Permanently restricted net assets as of December 31, 2010 and 2009, totaled \$7,000 and \$7,000, respectively.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Donor-restricted contributions whose restrictions are met during the same reporting period are reported as unrestricted support.

NET ASSETS RELEASED FROM RESTRICTIONS - When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

RECOGNITION OF DONATED ITEMS - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. Donated materials and fixed assets are recognized at fair value as of the date of contribution.

RECOGNITION OF DONATED SERVICES - The Organization recognizes donated services as revenues in the period received only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Revenue recognized for donated services for the years ended December 31, 2010 and 2009, totaled \$2,398 and \$1,044, respectively.

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

REVENUE RECOGNITION - The Organization recognizes service fees for administrative support services provided to another not-for-profit entity when services are performed. Grants are recognized in earnings in the period in which the related expenditures are incurred. Contributions from United Way are recognized when received.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Organization places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced any losses in such accounts and believes its exposure to significant credit risk on cash and cash equivalents is limited.

INVESTMENTS - Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

FAIR VALUE MEASUREMENTS - 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 and sets out a fair value hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
- Level 3 - Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The fair value of the Organization's investments as of December 31, 2010 and 2009, was determined using Level 2 inputs.

GRANTS RECEIVABLE - Grants receivable are stated at the amount management expects to collect from the granting agency. It is the opinion of management that all accounts and grants receivable are collectible. Accordingly, no allowance has been provided for such in the financial statements. No bad debts were charged against current operations for the years ended December 31, 2010 or 2009.

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such, audit adjustments could be required.

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost at the date of acquisition or fair value at the date of gift, if donated, less accumulated depreciation. Depreciation is provided using the straight-line method and the following useful lives:

Buildings and improvements	5-32 years
Furniture and equipment	3-15 years
Vehicles	5 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations currently. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

DEPOSITS - Funds that are being held in a custodial nature related to workers' compensation, unemployment services, building security and postal service are reported as deposits.

INCOME TAXES - The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is exempt from federal, state and local income taxes. The Organization is not considered a private foundation within the meaning of the Internal Revenue Code. The Organization is no longer subject to federal tax examinations for years before 2007.

ALLOCATION OF FUNCTIONAL EXPENSES - Direct salaries and related expenses are charged to program services based upon time spent by personnel on the various programs. Direct expenses are charged to various programs based upon costs incurred when specifically identified with a program. Other costs are allocated to the programs based upon budgeted amounts as followed by the respective funding agency. This reporting requires the allocation of certain costs among various programs and supporting services as determined by management based on identifiable measures, such as percentage of staff on location, percentage of expense to total expense and management's estimate of actual time worked in each program area. In management's opinion, these are reasonable measures to use to allocate costs.

ESTIMATES AND UNCERTAINTIES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

SUBSEQUENT EVENTS - The Organization has evaluated subsequent events for potential recognition and disclosure through July 21, 2011, the date the financial statements were available to be issued.

NOTE 2 - ECONOMIC DEPENDENCE

A substantial portion of the Organization's revenue comes from government grants and the United Way of Greater Cincinnati (United Way) program. Approximately 35% and 37% of total support and revenues came from government grants for 2010 and 2009, respectively, and approximately 37% and 36% of total support and revenues came from United Way for 2010 and 2009, respectively.

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS

The following tables summarize the fair value of the Organization's investments by level as of December 31, 2010 and 2009:

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Unrestricted - Mutual funds	\$ -	\$ 100	\$ -	\$ 100
Unrestricted - board designated - Mutual funds	-	236,502	-	236,502
Permanently restricted - Mutual funds	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
	<u>\$ -</u>	<u>\$ 243,602</u>	<u>\$ -</u>	<u>\$ 243,602</u>

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Unrestricted - Mutual funds	\$ -	\$ 1,863	\$ -	\$ 1,863
Unrestricted - board designated - Mutual funds	-	208,755	-	208,755
Permanently restricted - Mutual funds	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
	<u>\$ -</u>	<u>\$ 217,618</u>	<u>\$ -</u>	<u>\$ 217,618</u>

Investment return consists of the following:

	2010	2009
Interest and dividends	\$ 9,291	\$ 8,328
Net realized and unrealized gains	<u>22,443</u>	<u>37,548</u>
	<u>\$ 31,734</u>	<u>\$ 45,876</u>

Management does not consider the differences between the cost and fair value of investment securities as of December 31, 2010 or 2009, to be significant.

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS - continued

The Organization's endowment consists of one fund established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return consistent with its return objectives. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy. The Organization has a policy of appropriating for distribution the amount not to exceed the interest and dividend income earned on investments on an annual basis. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS - continued

Endowment net asset composition by type of fund as of December 31, 2010, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ -	\$ 7,000	\$ 7,000
Board-designated endowment funds	<u>236,502</u>	<u>-</u>	<u>-</u>	<u>236,502</u>
Total funds	<u>\$ 236,502</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 243,502</u>

Changes in endowment net assets for the year ended December 31, 2010, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment net assets, beginning of year	\$ 208,755	\$ -	\$ 7,000	\$ 215,755
Contributions	7,170	-	-	7,170
Investment income	8,353	-	-	8,353
Net appreciation	22,365	-	-	22,365
Investment advisory fees	(1,788)	-	-	(1,788)
Amounts appropriated for expenditure	<u>(8,353)</u>	<u>-</u>	<u>-</u>	<u>(8,353)</u>
Endowment net assets, end of year	<u>\$ 236,502</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 243,502</u>

Endowment net asset composition by type of fund as of December 31, 2009, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ -	\$ 7,000	\$ 7,000
Board-designated endowment funds	<u>208,755</u>	<u>-</u>	<u>-</u>	<u>208,755</u>
Total funds	<u>\$ 208,755</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 215,755</u>

Changes in endowment net assets for the year ended December 31, 2009, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment net assets, beginning of year	\$ 165,699	\$ -	\$ 7,000	\$ 172,699
Investment income	5,463	-	-	5,463
Net appreciation	<u>37,593</u>	<u>-</u>	<u>-</u>	<u>37,593</u>
Endowment net assets, end of year	<u>\$ 208,755</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 215,755</u>

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications:

	2010	2009
Land	\$ 24,500	\$ 24,500
Building and improvements	695,050	665,035
Furniture and equipment	84,343	83,373
Vehicles	<u>30,271</u>	<u>39,183</u>
	834,164	812,091
Accumulated depreciation	<u>(401,400)</u>	<u>(373,538)</u>
	<u>\$ 432,764</u>	<u>\$ 438,553</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2010 and 2009, consist of the following:

	2010	2009
Wellness program	\$ 55,722	\$ 58,511
Meals on Wheels	25,861	11,511
Youth program	40,133	27,343
Parenting program	50,255	21,114
Community development program	36,280	37,132
Lower Price Hill housing	29,347	44,347
Development/marketing	-	783
Building renovations	2,500	20,000
Other various programs	<u>246</u>	<u>3,985</u>
	<u>\$ 240,344</u>	<u>\$ 224,726</u>

NOTE 6 - ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the grant or gift or by occurrence of other events specified by donors. Net assets released from restrictions for the years ended December 31, 2010 and 2009, consist of the following:

	2010	2009
Purpose restriction accomplished -		
Wellness program	\$ 63,145	\$ 23,973
Meals on Wheels	2,000	15,000
Youth program	44,210	64,023
Parenting program	63,018	162,805
Community development program	154,796	89,033
Lower Price Hill housing	15,000	30,000
Development/marketing	783	7,217
Building renovations	30,000	1,706
Other various programs	<u>5,305</u>	<u>16,588</u>
	<u>\$ 378,257</u>	<u>\$ 410,345</u>

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN

The Organization sponsors a retirement plan which provides benefits for eligible employees under the Internal Revenue Code. Employer contributions to the Plan are made in accordance with a specified formula. Benefit payments are based on amounts accumulated from employer and voluntary employee contributions. The Organization's contributions to the Plan totaled \$53,674 and \$92,277 for the years ended December 31, 2010 and 2009, respectively.

NOTE 8 - GOVERNMENT AGENCIES

Revenue from government agencies consists of the following:

	2010	2009
Ohio Department of Aging through the Council on Aging of Southwestern Ohio	\$ 232,213	\$ 296,898
4C for Children	41,536	-
Ohio Commission on Minority Health	2,000	14,750
City of Cincinnati	55,304	57,388
Cincinnati Public Schools	55,951	46,325
Cincinnati Area Senior Services	26,885	-
Talbert House, Inc.	4,931	2,155
YMCA Youth and Schools	-	75,448
Every Child Succeeds	444,501	448,801
	<u>\$ 863,321</u>	<u>\$ 941,765</u>

NOTE 9 - CONTINGENCIES

Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Organization but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

The Organization participates in federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2010, audits of certain programs have not been completed. Accordingly, the Organization's compliance with applicable grant requirements will be established at some future date.

INTERNAL CONTROL AND COMPLIANCE

REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Santa Maria Community Services, Inc.
Cincinnati, Ohio

We have audited the financial statements of Santa Maria Community Services, Inc. (the Organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated July 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Joseph Decosimo and Company, LLC

Cincinnati, Ohio
July 21, 2011