

SANTA MARIA COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

December 31, 2011

SANTA MARIA COMMUNITY SERVICES, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

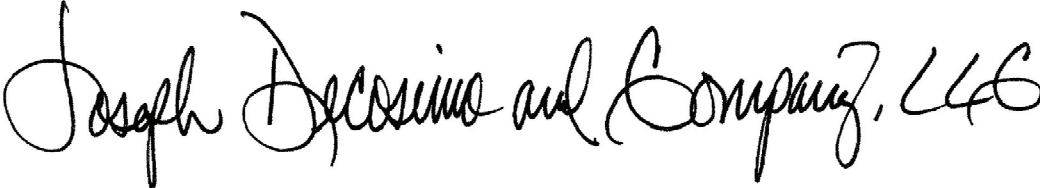
To the Board of Directors
Santa Maria Community Services, Inc.
Cincinnati, Ohio

We have audited the accompanying statements of financial position of Santa Maria Community Services, Inc. (the Organization), an Ohio not-for-profit organization, as of December 31, 2011 and 2010, 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, 2011 and 2010, 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 24, 2012, 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 24, 2012

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 204,656	\$ 314,866
Investments, at fair value	245,235	243,602
Grants receivable	262,725	150,128
Prepaid expenses	<u>43,667</u>	<u>12,319</u>
Total current assets	756,283	720,915
PROPERTY AND EQUIPMENT, net	562,546	432,764
OTHER ASSETS		
Deposits	<u>2,137</u>	<u>5,137</u>
TOTAL ASSETS	<u>\$ 1,320,966</u>	<u>\$ 1,158,816</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 38,169	\$ 57,868
Accrued vacation	<u>80,758</u>	<u>79,528</u>
Total liabilities	<u>118,927</u>	<u>137,396</u>
NET ASSETS		
Unrestricted	663,379	537,574
Board designated	<u>238,135</u>	<u>236,502</u>
Total unrestricted	901,514	774,076
Temporarily restricted	293,525	240,344
Permanently restricted	<u>7,000</u>	<u>7,000</u>
Total net assets	<u>1,202,039</u>	<u>1,021,420</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,320,966</u>	<u>\$ 1,158,816</u>

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
United Way allocations	\$ 901,024	\$ -	\$ -	\$ 901,024
Contributions	222,635	561,158	-	783,793
Special events, net of direct costs of \$12,510	39,782	-	-	39,782
Investment return	4,396	-	-	4,396
In-kind donations	<u>3,730</u>	<u>-</u>	<u>-</u>	<u>3,730</u>
Total public support and revenue	<u>1,171,567</u>	<u>561,158</u>	<u>-</u>	<u>1,732,725</u>
PROGRAM REVENUE				
Government grants	785,171	-	-	785,171
Service fees	<u>34,215</u>	<u>-</u>	<u>-</u>	<u>34,215</u>
Total program revenue	<u>819,386</u>	<u>-</u>	<u>-</u>	<u>819,386</u>
Net assets released from restriction	<u>507,977</u>	<u>(507,977)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>2,498,930</u>	<u>53,181</u>	<u>-</u>	<u>2,552,111</u>
EXPENSES				
Program services -				
Early Childhood/Parenting	975,397	-	-	975,397
Housing and Financial Opportunity Center	446,742	-	-	446,742
Meals on Wheels	120,636	-	-	120,636
Wellness	229,478	-	-	229,478
Youth	187,711	-	-	187,711
Administrative	273,243	-	-	273,243
Development	<u>158,582</u>	<u>-</u>	<u>-</u>	<u>158,582</u>
Total expenses	<u>2,391,789</u>	<u>-</u>	<u>-</u>	<u>2,391,789</u>
OTHER INCOME (EXPENSE)				
Miscellaneous income	22,656	-	-	22,656
Loss on disposal of property and equipment	<u>(2,359)</u>	<u>-</u>	<u>-</u>	<u>(2,359)</u>
Total other income (expense)	<u>20,297</u>	<u>-</u>	<u>-</u>	<u>20,297</u>
CHANGE IN NET ASSETS	127,438	53,181	-	180,619
NET ASSETS - beginning of year	<u>774,076</u>	<u>240,344</u>	<u>7,000</u>	<u>1,021,420</u>
NET ASSETS - end of year	<u>\$ 901,514</u>	<u>\$ 293,525</u>	<u>\$ 7,000</u>	<u>\$ 1,202,039</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	<u>2,398</u>	<u>-</u>	<u>-</u>	<u>2,398</u>
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	<u>28,231</u>	<u>-</u>	<u>-</u>	<u>28,231</u>
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	950,125	-	-	950,125
Housing	364,041	-	-	364,041
Meals on Wheels	264,395	-	-	264,395
Wellness	217,089	-	-	217,089
Youth	216,990	-	-	216,990
Administrative	285,747	-	-	285,747
Development	<u>144,252</u>	<u>-</u>	<u>-</u>	<u>144,252</u>
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	<u>(773)</u>	<u>-</u>	<u>-</u>	<u>(773)</u>
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 FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	Program Services							Total
	Early Childhood/ Parenting	Housing and Financial Opportunity Center	Meals on Wheels	Wellness	Youth	Administrative	Development	
SALARIES AND RELATED EXPENSES								
Salaries and wages	\$ 606,612	\$ 190,984	\$ 71,129	\$ 126,390	\$ 113,410	\$ 177,705	\$ 92,479	\$ 1,378,709
Employee benefits and taxes	<u>210,115</u>	<u>65,307</u>	<u>30,776</u>	<u>39,044</u>	<u>32,422</u>	<u>52,437</u>	<u>35,999</u>	<u>466,100</u>
	<u>816,727</u>	<u>256,291</u>	<u>101,905</u>	<u>165,434</u>	<u>145,832</u>	<u>230,142</u>	<u>128,478</u>	<u>1,844,809</u>
OPERATING EXPENSES								
Assistance to individuals	914	72,850	-	11,381	150	-	-	85,295
Awards and grants	2,926	604	309	300	418	330	218	5,105
Conferences, conventions and meetings	444	1,341	6	13	47	646	184	2,681
Insurance	9,155	3,114	1,465	1,538	2,209	1,646	1,023	20,150
Membership dues	1,076	968	193	269	236	344	1,031	4,117
Miscellaneous	3,682	1,831	1,345	549	536	8,933	2,082	18,958
Occupancy	17,033	16,802	4,504	4,109	5,528	5,071	2,417	55,464
Postage	856	655	-	1,073	441	611	4,431	8,067
Printing and publications	3,411	1,759	971	589	955	1,547	5,261	14,493
Professional services	27,694	61,703	1,938	23,057	5,898	12,673	3,897	136,860
Staff education	2,623	2,104	-	75	20	174	344	5,340
Office supplies	4,569	2,647	679	1,431	820	983	711	11,840
Supplies	34,649	5,864	131	11,662	16,342	2,485	5,875	77,008
Travel	19,738	1,361	2,296	984	1,895	3,634	664	30,572
Telephone	<u>9,921</u>	<u>7,705</u>	<u>2,412</u>	<u>2,313</u>	<u>2,538</u>	<u>4,024</u>	<u>1,966</u>	<u>30,879</u>
	<u>138,691</u>	<u>181,308</u>	<u>16,249</u>	<u>59,343</u>	<u>38,033</u>	<u>43,101</u>	<u>30,104</u>	<u>506,829</u>
DEPRECIATION	<u>19,979</u>	<u>9,143</u>	<u>2,482</u>	<u>4,701</u>	<u>3,846</u>	<u>-</u>	<u>-</u>	<u>40,151</u>
	<u>\$ 975,397</u>	<u>\$ 446,742</u>	<u>\$ 120,636</u>	<u>\$ 229,478</u>	<u>\$ 187,711</u>	<u>\$ 273,243</u>	<u>\$ 158,582</u>	<u>\$ 2,391,789</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

	<u>Program Services</u>							<u>Total</u>
	<u>Early Childhood/ Parenting</u>	<u>Housing</u>	<u>Meals on Wheels</u>	<u>Wellness</u>	<u>Youth</u>	<u>Administrative</u>	<u>Development</u>	
SALARIES AND RELATED EXPENSES								
Salaries and wages	\$ 598,701	\$ 185,548	\$ 87,369	\$ 104,949	\$ 126,562	\$ 164,859	\$ 88,644	\$ 1,356,632
Employee benefits and taxes	<u>189,742</u>	<u>60,532</u>	<u>31,133</u>	<u>32,148</u>	<u>38,216</u>	<u>48,146</u>	<u>33,024</u>	<u>432,941</u>
	<u>788,443</u>	<u>246,080</u>	<u>118,502</u>	<u>137,097</u>	<u>164,778</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	443	347	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	18,152	8,388	7,262	3,490	4,298	22,536	4,418	68,544
Postage	1,799	1,039	336	666	262	733	2,618	7,453
Printing and publications	4,538	1,873	1,021	1,036	1,230	1,781	4,782	16,261
Professional services	32,445	11,506	1,906	16,508	4,182	11,851	3,044	81,442
Staff education	1,606	-	-	-	109	236	273	2,224
Office supplies	4,092	2,961	842	642	903	1,846	552	11,838
Supplies	27,155	5,221	120,278	35,655	29,774	3,688	3,564	225,335
Travel	17,707	1,374	946	801	1,647	3,248	352	26,075
Telephone	<u>8,972</u>	<u>3,544</u>	<u>2,302</u>	<u>1,888</u>	<u>1,359</u>	<u>11,025</u>	<u>1,358</u>	<u>30,448</u>
	<u>143,839</u>	<u>110,722</u>	<u>140,645</u>	<u>75,679</u>	<u>47,905</u>	<u>71,690</u>	<u>22,584</u>	<u>613,064</u>
DEPRECIATION	<u>17,843</u>	<u>7,239</u>	<u>5,248</u>	<u>4,313</u>	<u>4,307</u>	<u>1,052</u>	<u>-</u>	<u>40,002</u>
	<u>\$ 950,125</u>	<u>\$ 364,041</u>	<u>\$ 264,395</u>	<u>\$ 217,089</u>	<u>\$ 216,990</u>	<u>\$ 285,747</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.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING ACTIVITIES		
Change in net assets	\$ 180,619	\$ 25,146
Adjustments to reconcile change in net assets to net cash flows from operating activities -		
Depreciation	40,151	40,002
Realized and unrealized (gain) loss on investments	9,863	(22,443)
Loss on disposal of property and equipment	2,359	773
Changes in operating assets and liabilities -		
Grants receivable	(112,597)	(33,979)
Prepaid expenses	(31,348)	26,478
Deposits	3,000	-
Accounts payable	(19,699)	29,410
Accrued vacation	1,230	1,269
	<u>73,578</u>	<u>66,656</u>
Net cash flows from operating activities		
INVESTING ACTIVITIES		
Purchases of property and equipment	(172,292)	(34,986)
Proceeds from sale of investment	-	1,507
Purchases of investments	(11,496)	(5,048)
	<u>(183,788)</u>	<u>(38,527)</u>
Net cash flows from investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(110,210)	28,129
CASH AND CASH EQUIVALENTS - beginning of year	<u>314,866</u>	<u>286,737</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 204,656</u>	<u>\$ 314,866</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 the Organization 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 programs, offered free of charge and in partnership with resident volunteers, include: early childhood/parenting; housing; meals on wheels; wellness; and youth.

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 were \$7,000 as of December 31, 2011 and 2010.

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, 2011 and 2010, totaled \$3,730 and \$2,398, 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 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, 2011 and 2010, 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, 2011 or 2010.

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 2008.

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.

RECLASSIFICATIONS - Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation.

SUBSEQUENT EVENTS - The Organization has evaluated subsequent events for potential recognition and disclosure through July 24, 2012, the date the financial statements were available to be issued.

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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 31% and 35% of total support and revenues came from government grants for 2011 and 2010, respectively, and approximately 35% and 37% of total support and revenues came from United Way for 2011 and 2010, respectively.

NOTE 3 - INVESTMENTS

The following tables summarize the fair value of the Organization's investments by level as of December 31, 2011 and 2010:

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Unrestricted - Mutual funds	\$ -	\$ 100	\$ -	\$ 100
Unrestricted - board designated - Mutual funds	-	238,135	-	238,135
Permanently restricted - Mutual funds	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
	<u>\$ -</u>	<u>\$ 245,235</u>	<u>\$ -</u>	<u>\$ 245,235</u>

	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>

Investment return consists of the following:

	2011	2010
Interest and dividends	\$ 14,259	\$ 9,291
Net realized and unrealized gains (losses)	<u>(9,863)</u>	<u>22,443</u>
	<u>\$ 4,396</u>	<u>\$ 31,734</u>

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS - continued

Management does not consider the differences between the cost and fair value of investment securities as of December 31, 2011 or 2010, to be significant.

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, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ -	\$ 7,000	\$ 7,000
Board-designated endowment funds	<u>238,135</u>	<u>-</u>	<u>-</u>	<u>238,135</u>
Total funds	<u>\$ 238,135</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 245,135</u>

Changes in endowment net assets for the year ended December 31, 2011, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment net assets, beginning of year	\$ 236,502	\$ -	\$ 7,000	\$ 243,502
Contributions	5,275	-	-	5,275
Investment income	8,474	-	-	8,474
Net appreciation	(9,851)	-	-	(9,851)
Investment advisory fees	<u>(2,265)</u>	<u>-</u>	<u>-</u>	<u>(2,265)</u>
Endowment net assets, end of year	<u>\$ 238,135</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 245,135</u>

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>

SANTA MARIA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications:

	2011	2010
Land	\$ 24,500	\$ 24,500
Building and improvements	838,922	695,050
Furniture and equipment	88,452	84,343
Vehicles	<u>30,271</u>	<u>30,271</u>
	982,145	834,164
Accumulated depreciation	<u>(419,599)</u>	<u>(401,400)</u>
	<u>\$ 562,546</u>	<u>\$ 432,764</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 and 2010, consist of the following:

	2011	2010
Wellness program	\$ 66,528	\$ 55,722
Meals on Wheels	37,461	25,861
Youth program	49,085	40,133
Parenting program	31,199	50,255
Housing and Financial Opportunity Center	43,193	36,280
Lower Price Hill housing	29,347	29,347
Building renovations	-	2,500
Other various programs	<u>36,712</u>	<u>246</u>
	<u>\$ 293,525</u>	<u>\$ 240,344</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, 2011 and 2010, consist of the following:

	2011	2010
Purpose restriction accomplished -		
Wellness program	\$ 43,875	\$ 63,145
Meals on Wheels	3,500	2,000
Youth program	46,668	44,210
Parenting program	112,989	63,018
Housing and Financial Opportunity Center	134,725	154,796
Lower Price Hill housing	-	15,000
Development/marketing	-	783
Building renovations	152,500	30,000
Other various programs	<u>13,720</u>	<u>5,305</u>
	<u>\$ 507,977</u>	<u>\$ 378,257</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 \$48,902 and \$53,674 for the years ended December 31, 2011 and 2010, respectively.

NOTE 8 - GOVERNMENT AGENCIES

Revenue from government agencies consists of the following:

	2011	2010
Ohio Department of Aging through the Council on Aging of Southwestern Ohio	\$ -	\$ 232,213
4C for Children	31,658	41,536
Ohio Commission on Minority Health	2,979	2,000
City of Cincinnati	44,030	55,304
Cincinnati Public Schools	28,921	55,951
Cincinnati Area Senior Services	99,572	26,885
Talbert House, Inc.	3,460	4,931
LISC Greater Cincinnati and Northern Kentucky	106,168	-
Every Child Succeeds	468,383	444,501
	<u>\$ 785,171</u>	<u>\$ 863,321</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, 2011, 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***

To the 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, 2011, and have issued our report thereon dated July 24, 2012. 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

Management of the Organization is responsible for establishing and maintaining effective 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.

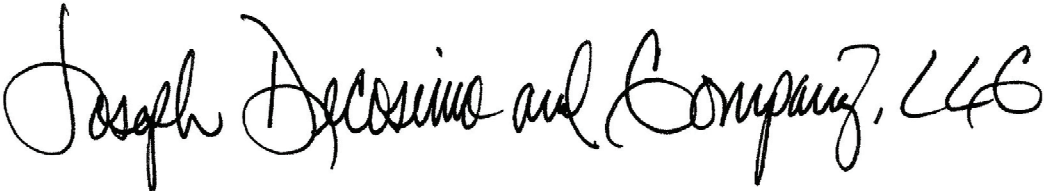
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.



Cincinnati, Ohio
July 24, 2012