

**SANTA MARIA COMMUNITY SERVICES, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

CONTENTS

| | |
|--|------|
| INDEPENDENT AUDITOR'S REPORT | 1/2 |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | 3 |
| CONSOLIDATED STATEMENTS OF ACTIVITIES | 4/5 |
| CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES | 6/7 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 9/18 |

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Schedule of Expenditures of Federal Awards | 20 |
|--|----|

INTERNAL CONTROL AND COMPLIANCE

| | |
|---|-------|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 22/23 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 | 24/25 |
| Schedule of Findings and Questioned Costs | 26/28 |
| Schedule of Prior Year Audit Findings | 29 |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Santa Maria Community Services, Inc. and subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 consolidated 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 consolidated 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 consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santa Maria Community Services, Inc. and subsidiary as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Prior Period Financial Statements*

The consolidated financial statements of Santa Maria Community Services, Inc. and subsidiary as of and for the year ended December 31, 2013, were audited by Joseph Decosimo and Company, LLC, who merged with Elliott Davis Decosimo, LLC as of January 1, 2015, and whose report dated July 24, 2014, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of their 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style with a long, sweeping underline.

Cincinnati, Ohio
August 12, 2015

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****December 31, 2014 and 2013**

| | 2014 | 2013 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 373,917 | \$ 262,520 |
| Investments, at fair value | 315,171 | 307,357 |
| Grants receivable | 301,992 | 238,922 |
| Prepaid expenses | <u>54,459</u> | <u>26,585</u> |
| Total current assets | 1,045,539 | 835,384 |
| PROPERTY AND EQUIPMENT, net | 846,957 | 877,416 |
| OTHER ASSETS | | |
| Deposits | <u>2,057</u> | <u>2,549</u> |
| TOTAL ASSETS | <u>\$ 1,894,553</u> | <u>\$ 1,715,349</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 47,742 | \$ 78,918 |
| Accrued vacation | 106,883 | 92,580 |
| Current portion of long term debt | <u>1,918</u> | <u>-</u> |
| Total current liabilities | <u>156,543</u> | <u>171,498</u> |
| LONG-TERM DEBT | <u>153,986</u> | <u>155,904</u> |
| NET ASSETS | | |
| Unrestricted | 820,340 | 853,657 |
| Board designated | <u>308,071</u> | <u>300,257</u> |
| Total unrestricted | 1,128,411 | 1,153,914 |
| Temporarily restricted | 448,613 | 227,033 |
| Permanently restricted | <u>7,000</u> | <u>7,000</u> |
| Total net assets | <u>1,584,024</u> | <u>1,387,947</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,894,553</u> | <u>\$ 1,715,349</u> |

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

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| PUBLIC SUPPORT AND REVENUE | | | | |
| United Way allocations | \$ 966,409 | \$ - | \$ - | \$ 966,409 |
| Contributions | 376,500 | 610,018 | - | 986,518 |
| Special events, net of direct costs of \$23,919 | 40,813 | - | - | 40,813 |
| Investment return | 11,198 | - | - | 11,198 |
| In-kind donations | <u>17,375</u> | <u>-</u> | <u>-</u> | <u>17,375</u> |
| Total public support and revenue | <u>1,412,295</u> | <u>610,018</u> | <u>-</u> | <u>2,022,313</u> |
| PROGRAM REVENUE | | | | |
| Government grants | 1,499,378 | - | - | 1,499,378 |
| Service fees | <u>160,872</u> | <u>-</u> | <u>-</u> | <u>160,872</u> |
| Total program revenue | <u>1,660,250</u> | <u>-</u> | <u>-</u> | <u>1,660,250</u> |
| Net assets released from restriction | <u>388,438</u> | <u>(388,438)</u> | <u>-</u> | <u>-</u> |
| TOTAL PUBLIC SUPPORT AND REVENUES | <u>3,460,983</u> | <u>221,580</u> | <u>-</u> | <u>3,682,563</u> |
| EXPENSES | | | | |
| Program services - | | | | |
| Early Childhood/Parenting | 1,231,920 | - | - | 1,231,920 |
| Workforce Development | 1,001,390 | - | - | 1,001,390 |
| Meals on Wheels | 17,373 | - | - | 17,373 |
| Wellness | 208,621 | - | - | 208,621 |
| AmeriCorps | 292,694 | - | - | 292,694 |
| Youth | 192,689 | - | - | 192,689 |
| Administrative | 374,243 | - | - | 374,243 |
| Development | <u>202,449</u> | <u>-</u> | <u>-</u> | <u>202,449</u> |
| Total expenses | <u>3,521,379</u> | <u>-</u> | <u>-</u> | <u>3,521,379</u> |
| OTHER INCOME | | | | |
| Miscellaneous income | 8,032 | - | - | 8,032 |
| Rental property income | <u>26,861</u> | <u>-</u> | <u>-</u> | <u>26,861</u> |
| Total other income | <u>34,893</u> | <u>-</u> | <u>-</u> | <u>34,893</u> |
| CHANGE IN NET ASSETS | (25,503) | 221,580 | - | 196,077 |
| NET ASSETS - beginning of year | <u>1,153,914</u> | <u>227,033</u> | <u>7,000</u> | <u>1,387,947</u> |
| NET ASSETS - end of year | <u>\$ 1,128,411</u> | <u>\$ 448,613</u> | <u>\$ 7,000</u> | <u>\$ 1,584,024</u> |

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

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| PUBLIC SUPPORT AND REVENUE | | | | |
| United Way allocations | \$ 925,974 | \$ - | \$ - | \$ 925,974 |
| Contributions | 344,092 | 448,537 | - | 792,629 |
| Special events, net of direct costs of \$48,036 | 23,880 | - | - | 23,880 |
| Investment return | 34,033 | - | - | 34,033 |
| In-kind donations | <u>33,250</u> | <u>-</u> | <u>-</u> | <u>33,250</u> |
| Total public support and revenue | <u>1,361,229</u> | <u>448,537</u> | <u>-</u> | <u>1,809,766</u> |
| PROGRAM REVENUE | | | | |
| Government grants | 1,195,852 | - | - | 1,195,852 |
| Service fees | <u>16,212</u> | <u>-</u> | <u>-</u> | <u>16,212</u> |
| Total program revenue | <u>1,212,064</u> | <u>-</u> | <u>-</u> | <u>1,212,064</u> |
| Net assets released from restriction | <u>444,668</u> | <u>(444,668)</u> | <u>-</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUES | <u>3,017,961</u> | <u>3,869</u> | <u>-</u> | <u>3,021,830</u> |
| EXPENSES | | | | |
| Program services - | | | | |
| Early Childhood/Parenting | 1,122,067 | - | - | 1,122,067 |
| Financial Opportunity Center | 527,134 | - | - | 527,134 |
| Literacy Center West | 491,642 | - | - | 491,642 |
| Meals on Wheels | 104,010 | - | - | 104,010 |
| Wellness | 186,984 | - | - | 186,984 |
| Youth | 196,851 | - | - | 196,851 |
| Administrative | 285,441 | - | - | 285,441 |
| Development | <u>171,888</u> | <u>-</u> | <u>-</u> | <u>171,888</u> |
| Total expenses | <u>3,086,017</u> | <u>-</u> | <u>-</u> | <u>3,086,017</u> |
| OTHER INCOME | | | | |
| Miscellaneous income | 10,727 | - | - | 10,727 |
| Gain on disposal of property and equipment | 3,837 | - | - | 3,837 |
| Rental property income | <u>5,403</u> | <u>-</u> | <u>-</u> | <u>5,403</u> |
| Total other income | <u>19,967</u> | <u>-</u> | <u>-</u> | <u>19,967</u> |
| CHANGE IN NET ASSETS | (48,089) | 3,869 | - | (44,220) |
| NET ASSETS - beginning of year | <u>1,202,003</u> | <u>223,164</u> | <u>7,000</u> | <u>1,432,167</u> |
| NET ASSETS - end of year | <u>\$ 1,153,914</u> | <u>\$ 227,033</u> | <u>\$ 7,000</u> | <u>\$ 1,387,947</u> |

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

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

| | Program Services | | | | | | | | Total |
|---------------------------------------|---|----------------------------------|----------------------------|-------------------|-------------------|-------------------|-----------------------|--------------------|---------------------|
| | Early Childhood/ Parenting | Workforce Development | Meals on Wheels | Wellness | AmeriCorps | Youth | Administrative | Development | |
| SALARIES AND RELATED EXPENSES | | | | | | | | | |
| Salaries and wages | \$ 734,888 | \$ 469,775 | \$ 10,276 | \$ 98,489 | \$ 224,375 | \$ 107,401 | \$ 209,483 | \$ 101,890 | \$ 1,956,577 |
| Employee benefits and taxes | <u>254,626</u> | <u>157,970</u> | <u>3,951</u> | <u>33,113</u> | <u>38,684</u> | <u>31,860</u> | <u>66,902</u> | <u>41,110</u> | <u>628,216</u> |
| | <u>989,514</u> | <u>627,745</u> | <u>14,227</u> | <u>131,602</u> | <u>263,059</u> | <u>139,261</u> | <u>276,385</u> | <u>143,000</u> | <u>2,584,793</u> |
| OTHER EXPENSES | | | | | | | | | |
| Assistance to individuals | 2,286 | 78,140 | - | 1,687 | - | - | - | - | 82,113 |
| Awards and grants | 1,943 | 1,498 | 6 | 533 | 131 | 343 | 131 | 174 | 4,759 |
| Conferences, conventions and meetings | 3,788 | 4,205 | - | 191 | 957 | 90 | 1,058 | 169 | 10,458 |
| Insurance | 14,425 | 9,468 | 326 | 3,547 | 932 | 2,797 | 3,058 | 1,202 | 35,755 |
| Membership dues | 1,521 | 1,325 | 40 | 400 | 145 | 283 | 38 | 991 | 4,743 |
| Miscellaneous | 3,518 | 2,658 | 114 | 830 | 298 | 581 | 10,587 | 1,360 | 19,946 |
| Occupancy | 35,979 | 72,724 | 792 | 8,807 | 6,510 | 6,384 | 34,743 | 9,341 | 175,280 |
| Postage | 527 | 888 | - | 387 | 89 | 1 | 626 | 2,895 | 5,413 |
| Printing and publications | 5,592 | 5,054 | 196 | 1,365 | 771 | 886 | 1,820 | 6,449 | 22,133 |
| Professional services | 78,370 | 94,805 | 545 | 44,898 | 5,780 | 12,837 | 19,813 | 14,166 | 271,214 |
| Staff education | 6,262 | 5,760 | - | 1,323 | 259 | 96 | 1,620 | 606 | 15,926 |
| Office supplies | 4,767 | 12,747 | 159 | 1,114 | 993 | 585 | 181 | 1,397 | 21,943 |
| Supplies | 18,011 | 51,055 | 165 | 4,191 | 4,513 | 20,326 | 4,210 | 16,317 | 118,788 |
| Travel | 27,788 | 3,687 | 171 | 611 | 2,245 | 760 | 5,077 | 1,008 | 41,347 |
| Telephone | <u>20,998</u> | <u>16,024</u> | <u>397</u> | <u>4,320</u> | <u>2,058</u> | <u>4,858</u> | <u>8,662</u> | <u>3,374</u> | <u>60,691</u> |
| | <u>225,775</u> | <u>360,038</u> | <u>2,911</u> | <u>74,204</u> | <u>25,681</u> | <u>50,827</u> | <u>91,624</u> | <u>59,449</u> | <u>890,509</u> |
| DEPRECIATION | <u>16,631</u> | <u>13,607</u> | <u>235</u> | <u>2,815</u> | <u>3,954</u> | <u>2,601</u> | <u>6,234</u> | <u>-</u> | <u>46,077</u> |
| | <u>\$ 1,231,920</u> | <u>\$ 1,001,390</u> | <u>\$ 17,373</u> | <u>\$ 208,621</u> | <u>\$ 292,694</u> | <u>\$ 192,689</u> | <u>\$ 374,243</u> | <u>\$ 202,449</u> | <u>\$ 3,521,379</u> |

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

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

| | Program Services | | | | | | | Development | Total |
|---------------------------------------|-----------------------------------|---------------------------------------|-------------------------------|------------------------|-------------------|-------------------|-----------------------|--------------------|---------------------|
| | Early Childhood/ Parenting | Financial Opportunity Center * | Literacy Center West * | Meals on Wheels | Wellness | Youth | Administrative | | |
| SALARIES AND RELATED EXPENSES | | | | | | | | | |
| Salaries and wages | \$ 666,785 | \$ 205,200 | \$ 275,259 | \$ 59,691 | \$ 92,244 | \$ 109,945 | \$ 175,149 | \$ 100,237 | \$ 1,684,510 |
| Employee benefits and taxes | <u>239,012</u> | <u>66,992</u> | <u>72,580</u> | <u>24,639</u> | <u>34,439</u> | <u>34,392</u> | <u>61,155</u> | <u>38,666</u> | <u>571,875</u> |
| | <u>905,797</u> | <u>272,192</u> | <u>347,839</u> | <u>84,330</u> | <u>126,683</u> | <u>144,337</u> | <u>236,304</u> | <u>138,903</u> | <u>2,256,385</u> |
| OTHER EXPENSES | | | | | | | | | |
| Assistance to individuals | 2,859 | 103,422 | 35,529 | - | 4,409 | - | - | - | 146,219 |
| Awards and grants | 1,429 | 521 | 719 | 190 | 266 | 303 | 284 | 169 | 3,881 |
| Conferences, conventions and meetings | 1,291 | 1,555 | 1,061 | - | 1,193 | - | 571 | 84 | 5,755 |
| Insurance | 13,060 | 5,234 | 2,866 | 1,546 | 2,267 | 2,585 | 2,364 | 1,406 | 31,328 |
| Membership dues | 2,525 | 3,025 | 1,059 | 138 | 917 | 598 | 906 | 1,109 | 10,277 |
| Miscellaneous | 3,197 | 1,677 | 3,965 | 510 | 555 | 5,975 | 5,842 | 469 | 22,190 |
| Occupancy | 30,905 | 30,093 | 28,086 | 4,067 | 7,442 | 5,372 | 13,305 | 5,815 | 125,085 |
| Postage | 757 | 2,849 | 487 | - | - | 202 | 666 | 4,795 | 9,756 |
| Printing and publications | 4,917 | 9,667 | 2,863 | 532 | 5,499 | 683 | 1,759 | 5,184 | 31,104 |
| Professional services | 55,957 | 70,884 | 28,168 | 2,744 | 19,808 | 13,267 | 7,357 | 8,390 | 206,575 |
| Staff education | 7,150 | 1,618 | 2,480 | 25 | 55 | - | 625 | 694 | 12,647 |
| Office supplies | 5,746 | 4,375 | 4,366 | 717 | 772 | 369 | 3,615 | 865 | 20,825 |
| Supplies | 31,227 | 10,160 | 17,652 | 304 | 5,439 | 13,943 | 290 | 997 | 80,012 |
| Travel | 23,806 | 765 | 2,831 | 3,481 | 1,002 | 654 | 4,440 | 462 | 37,441 |
| Telephone | 15,139 | 7,604 | 4,521 | 2,783 | 2,923 | 5,700 | 7,113 | 2,546 | 48,329 |
| Contribution expense | - | - | 1 | - | - | - | - | - | 1 |
| | <u>199,965</u> | <u>253,449</u> | <u>136,654</u> | <u>17,037</u> | <u>52,547</u> | <u>49,651</u> | <u>49,137</u> | <u>32,985</u> | <u>791,425</u> |
| DEPRECIATION | <u>16,305</u> | <u>1,493</u> | <u>7,149</u> | <u>2,643</u> | <u>7,754</u> | <u>2,863</u> | <u>-</u> | <u>-</u> | <u>38,207</u> |
| | <u>\$ 1,122,067</u> | <u>\$ 527,134</u> | <u>\$ 491,642</u> | <u>\$ 104,010</u> | <u>\$ 186,984</u> | <u>\$ 196,851</u> | <u>\$ 285,441</u> | <u>\$ 171,888</u> | <u>\$ 3,086,017</u> |

* The activities associated with these two programs were combined into a single program during 2014 and are reported as Workforce Development in the 2014 financial statements.

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

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

| | 2014 | 2013 |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 196,077 | \$ (44,220) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities - | | |
| Depreciation | 46,077 | 38,207 |
| Realized and unrealized gain on investments | (2,147) | (25,089) |
| Gain on disposal of property and equipment | - | (3,837) |
| Property and equipment donation received by the Organization | - | (33,250) |
| Changes in operating assets and liabilities - | | |
| Grants receivable | (63,070) | 21,918 |
| Prepaid expenses | (27,874) | 32,056 |
| Deposits | 492 | 10,000 |
| Accounts payable | (31,176) | 42,198 |
| Accrued vacation | 14,303 | 12,794 |
| | <u>132,682</u> | <u>50,777</u> |
| Net cash flows from operating activities | | |
| | <u>132,682</u> | <u>50,777</u> |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (15,618) | (236,495) |
| Proceeds from sale of equipment | - | 24,765 |
| Purchases of investments | (5,667) | (5,724) |
| | <u>(21,285)</u> | <u>(217,454)</u> |
| Net cash flows from investing activities | | |
| | <u>(21,285)</u> | <u>(217,454)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of long-term debt | - | 155,904 |
| | <u>-</u> | <u>155,904</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 111,397 | (10,773) |
| CASH AND CASH EQUIVALENTS - beginning of year | <u>262,520</u> | <u>273,293</u> |
| CASH AND CASH EQUIVALENTS - end of year | <u>\$ 373,917</u> | <u>\$ 262,520</u> |

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

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED 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., a not-for-profit organization, was organized under the laws of the State of Ohio and operates five neighborhood-based resource centers in Cincinnati, Ohio. Neighborhood-based programs, offered free of charge and in partnership with the resident volunteers and organizations, include: Early Childhood/Parenting, which includes international welcome center services; Workforce Development, which includes focus on financial stability, housing, employment services and GED preparation; Wellness; AmeriCorps with a focus on GED preparation and health navigation; and Youth Development. The consolidated financial statements include the accounts of Santa Maria Community Services, Inc. and one separate member entity, Santa Maria Properties, LLC, which was formed in 2013 and of which Santa Maria Community Services, Inc. is the sole member. All significant intercompany transactions and balances have been eliminated.

BASIS OF PRESENTATION - The Organization's consolidated 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. Net assets reserved via Board of Director's action have been identified as unrestricted - Board of Directors designated.

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, 2014 and 2013.

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 consolidated statements of activities as net assets released from restrictions.

RECOGNITION OF DONATED ITEMS AND SERVICES - 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 property and equipment are recognized at fair value as of the date of contribution. Amounts recognized as donated property and equipment for the years ended December 31, 2014 and 2013 totaled

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

\$0 and \$33,250, respectively. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Amounts recognized as donated services provided for the year ended December 31, 2014 and 2013, totaled \$17,375 and \$0, respectively.

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 -The Organization considers all money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash accounts which may exceed federally insured amounts at times and which may at times significantly exceed balance sheet amounts due to outstanding checks. Cash equivalents in excess of federally insured limits totaled \$194,300 and \$61,718 as of December 31, 2014 and 2013, respectively.

INVESTMENTS - Investments in equity securities having a readily determinable fair value and in all debt securities are carried at 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, 2014 and 2013 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, 2014 and 2013.

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. AND SUBSIDIARY

NOTES TO CONSOLIDATED 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's federal Exempt Income Tax Returns (Form 990) are no longer subject to federal tax examinations for years before 2011.

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. 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 consolidated 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 consolidated 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 consolidated financial statements to conform to the current year presentation.

SUBSEQUENT EVENTS - The Organization has evaluated subsequent events for potential recognition and disclosure through August 12, 2015, the date the consolidated financial statements were available to be issued.

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - CONCENTRATIONS

A substantial portion of the Organization's revenue comes from government grants and the United Way of Greater Cincinnati (United Way) program. Approximately 41% and 40% of total support and revenues came from government grants for 2014 and 2013, respectively, and approximately 26% and 31% of total support and revenues came from United Way for 2014 and 2013, respectively.

NOTE 3 - INVESTMENTS

The following tables summarize the fair value of the Organization's investments by level as of December 31, 2014 and 2013:

| | Assets at Fair Value as of December 31, 2014 | | | |
|---|--|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Unrestricted - Mutual funds | \$ - | \$ 100 | \$ - | \$ 100 |
| Unrestricted - board designated - Mutual funds | - | 308,071 | - | 308,071 |
| Permanently restricted - Mutual funds | <u>-</u> | <u>7,000</u> | <u>-</u> | <u>7,000</u> |
| | <u>\$ -</u> | <u>\$ 315,171</u> | <u>\$ -</u> | <u>\$ 315,171</u> |

| | Assets at Fair Value as of December 31, 2013 | | | |
|---|--|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Unrestricted - Mutual funds | \$ - | \$ 100 | \$ - | \$ 100 |
| Unrestricted - board designated - Mutual funds | - | 300,257 | - | 300,257 |
| Permanently restricted - Mutual funds | <u>-</u> | <u>7,000</u> | <u>-</u> | <u>7,000</u> |
| | <u>\$ -</u> | <u>\$ 307,357</u> | <u>\$ -</u> | <u>\$ 307,357</u> |

Investment return consists of the following:

| | 2014 | 2013 |
|------------------------------------|------------------|------------------|
| Interest and dividends - endowment | \$ 8,717 | \$ 8,542 |
| Interest - general operations | 334 | 402 |
| Net realized and unrealized gains | <u>2,147</u> | <u>25,089</u> |
| | <u>\$ 11,198</u> | <u>\$ 34,033</u> |

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED 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, 2014 and 2013, to be significant.

NOTE 4 - ENDOWMENT

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.

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT - continued

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.

Endowment net asset composition by type of fund as of December 31, 2014, is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Endowment Net Assets |
|----------------------------------|-------------------|---------------------------|---------------------------|-------------------------|
| Donor-restricted endowment funds | \$ - | \$ - | \$ 7,000 | \$ 7,000 |
| Board-designated endowment funds | <u>308,071</u> | <u>-</u> | <u>-</u> | <u>308,071</u> |
| Total funds | <u>\$ 308,071</u> | <u>\$ -</u> | <u>\$ 7,000</u> | <u>\$ 315,071</u> |

Changes in endowment net assets for the year ended December 31, 2014, are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Endowment Net Assets |
|---|-------------------|---------------------------|---------------------------|-------------------------|
| Endowment net assets, beginning of year | \$ 300,257 | \$ - | \$ 7,000 | \$ 307,257 |
| Investment income | 8,717 | - | - | 8,717 |
| Net appreciation | 2,147 | - | - | 2,147 |
| Investment advisory fees | <u>(3,050)</u> | <u>-</u> | <u>-</u> | <u>(3,050)</u> |
| Endowment net assets, end of year | <u>\$ 308,071</u> | <u>\$ -</u> | <u>\$ 7,000</u> | <u>\$ 315,071</u> |

Endowment net asset composition by type of fund as of December 31, 2013, is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Endowment Net Assets |
|----------------------------------|-------------------|---------------------------|---------------------------|-------------------------|
| Donor-restricted endowment funds | \$ - | \$ - | \$ 7,000 | \$ 7,000 |
| Board-designated endowment funds | <u>300,257</u> | <u>-</u> | <u>-</u> | <u>300,257</u> |
| Total funds | <u>\$ 300,257</u> | <u>\$ -</u> | <u>\$ 7,000</u> | <u>\$ 307,257</u> |

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT - continued

Changes in endowment net assets for the year ended December 31, 2013, are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Endowment Net Assets |
|---|-------------------|---------------------------|---------------------------|-------------------------|
| Endowment net assets, beginning of year | \$ 269,444 | \$ - | \$ 7,000 | \$ 276,444 |
| Investment income | 8,542 | - | - | 8,542 |
| Net appreciation | 25,089 | - | - | 25,089 |
| Investment advisory fees | <u>(2,818)</u> | <u>-</u> | <u>-</u> | <u>(2,818)</u> |
| Endowment net assets, end of year | <u>\$ 300,257</u> | <u>\$ -</u> | <u>\$ 7,000</u> | <u>\$ 307,257</u> |

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications:

| | 2014 | 2013 |
|---------------------------|-------------------|-------------------|
| Land | \$ 70,643 | \$ 70,643 |
| Building and improvements | 1,071,284 | 1,063,306 |
| Furniture and equipment | 70,897 | 84,476 |
| Vehicles | <u>46,696</u> | <u>45,980</u> |
| | 1,259,520 | 1,264,405 |
| Accumulated depreciation | <u>(412,563)</u> | <u>(386,989)</u> |
| | <u>\$ 846,957</u> | <u>\$ 877,416</u> |

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2014 and 2013, consist of the following:

| | 2014 | 2013 |
|------------------------------|-------------------|-------------------|
| Early Childhood/Parenting | \$ 157,784 | \$ 45,413 |
| Workforce Development | 49,908 | - |
| Financial Opportunity Center | - | 21,529 |
| Literacy Center West | - | 20,487 |
| Wellness | 109,206 | 112,022 |
| AmeriCorps | 40,259 | - |
| Youth | 80,393 | 27,582 |
| Other various programming | <u>11,063</u> | <u>-</u> |
| | <u>\$ 448,613</u> | <u>\$ 227,033</u> |

During 2014, the Financial Opportunity Center, Housing, and Literacy Center West were all combined into what is now considered the Workforce Development Program.

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets released from restrictions for the years ended December 31, 2014 and 2013, consist of the following:

| | 2014 | 2013 |
|------------------------------|-------------------|-------------------|
| Early Childhood/Parenting | \$ 179,629 | \$ 165,774 |
| Workforce Development | 95,340 | - |
| Financial Opportunity Center | - | 150,502 |
| Literacy Center West | - | 9,513 |
| Wellness | 51,103 | 39,041 |
| AmeriCorps | 1,878 | - |
| Youth | 38,188 | 65,535 |
| Other various programming | 22,300 | 14,303 |
| | <u>\$ 388,438</u> | <u>\$ 444,668</u> |

During 2014, the Financial Opportunity Center, Housing, and Literacy Center West were all combined into what is now considered the Workforce Development Program.

NOTE 8 - 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 \$57,660 and \$57,590 for the years ended December 31, 2014 and 2013, respectively.

NOTE 9 - GOVERNMENT GRANTS

Revenue from government agencies consists of the following:

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Workforce Investment Act | \$ 427,980 | \$ 372,329 |
| 4C for Children | 44,909 | 50,695 |
| Ohio Commission on Minority Health | 1,884 | - |
| City of Cincinnati | 75,976 | 39,409 |
| Cincinnati Public Schools | 16,046 | - |
| Cincinnati Area Senior Services | 10,446 | 96,466 |
| Talbert House, Inc. | 7,625 | 5,830 |
| LISC Greater Cincinnati and Northern Kentucky | 143,625 | 148,719 |
| Ohio Commission on Service and Volunteerism | 198,817 | - |
| Every Child Succeeds | 572,070 | 482,404 |
| | <u>\$ 1,499,378</u> | <u>\$ 1,195,852</u> |

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT

Long-term debt consists of the following:

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Ed & Joann Hubert Family Foundation, Inc., interest free loan (with an imputed interest rate of 3.27%) monthly installments commence on January 1, 2015, with final payment due on December 1, 2026. The loan is collateralized by various properties held by the Organization. | \$ 155,904 | \$ 155,904 |
| Less current portion | <u>1,918</u> | <u>-</u> |
| | <u>\$ 153,986</u> | <u>\$ 155,904</u> |

On December 19, 2013, the Organization entered into a \$155,904 interest free loan (calculated with an imputed interest rate of 3.27%) with the Ed & Joann Hubert Family Foundation, Inc., for the purchase of several buildings.

Aggregate maturities of long-term debt for the years subsequent to December 31, 2014, are as follows:

| Year ending | | |
|-------------------|----|----------------|
| December 31, 2015 | \$ | 1,918 |
| December 31, 2016 | | 7,070 |
| December 31, 2017 | | 7,305 |
| December 31, 2018 | | 13,638 |
| December 31, 2019 | | 14,091 |
| Thereafter | | <u>111,882</u> |
| | \$ | <u>155,904</u> |

NOTE 11 - RENTAL REVENUE UNDER OPERATING LEASES

The Organization leases a portion of certain buildings which generates revenue under operating leases. The future expected revenues under noncancelable operating leases with initial or remaining lease terms in excess of one year as of December 31, 2014, are as follows:

| Year ending | | |
|-------------------|----|---------------|
| December 31, 2015 | \$ | 10,800 |
| December 31, 2016 | | 10,000 |
| December 31, 2017 | | 10,000 |
| December 31, 2018 | | 10,000 |
| December 31, 2019 | | <u>4,167</u> |
| | \$ | <u>44,967</u> |

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - RENTAL REVENUE UNDER OPERATING LEASES - continued

Gross rental income recognized on noncancelable operating leases totaled \$26,861 and \$765 for the years ended December 31, 2014 and 2013, respectively.

NOTE 12 - CONTINGENCIES

The Organization has received grants for specific purposes that are subject to review by the respective grantor agencies. These reviews could result in a request for reimbursement from the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, management believes any disallowances would be immaterial to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2014

| Federal Grantor/ Program Title/ Pass-through Grantor | <u>CFDA Number</u> | <u>Contract Number</u> | <u>Federal Expenditures</u> |
|--|-------------------------------|-----------------------------------|--|
| FEDERAL AWARDS | | | |
| U.S. Department of Labor - Employment Training Administration <i>WIA Youth Activities</i> Passed through Hamilton County Department of Job & Family Services | 17.259 | 129377 | \$ 427,980 |
| Corporation for National & Community Services <i>Americorps</i> Passed through Serve Ohio | 94.006 | 12AF11-1502-15-OC118 | 198,817 |
| Corporation for National & Community Services <i>Social Innovation Fund</i> Passed through Local Initiatives Support Corporation | 94.019 | 44391-0007 | <u>67,831</u> |
| TOTAL FEDERAL AWARDS | | | \$ <u><u>694,628</u></u> |

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Santa Maria Community Services, Inc. and subsidiary and is presented in accordance with accounting principles generally accepted in the United States of America.. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITOR'S REPORT 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, in accordance with the 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, the consolidated financial statements of Santa Maria Community Services Inc. and its subsidiary (the Organization), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style with a large initial 'E' and 'D'.

Cincinnati, Ohio
August 12, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Santa Maria Community Services, Inc. and subsidiary's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style with a long, sweeping underline.

Cincinnati, Ohio
August 12, 2015

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2014

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material Weakness(es) identified? _____yes X no

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

FEDERAL AWARDS

Internal control over major federal programs:

Material Weakness(es) identified? _____yes X no

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes X none reported

Type of auditors' report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes X no

Identification of major federal programs:

CFDA Number

17.259

Name of Major Federal Program

WIA Youth Activities

Dollar threshold used to distinguish type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____yes X no

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2014

Section II - Financial Statement Findings

None noted.

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2014

Section III - Federal Award Findings and Questioned Costs

None noted.

SANTA MARIA COMMUNITY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2014

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No longer Valid |
|-----------------------|---|-------------------------|--|
| 2013-001 | Cash Accounts Are Not Reconciled Timely | Yes | |