

**Santa Maria Community Services, Inc.
and Subsidiary**

Report on Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

Santa Maria Community Services, Inc. and Subsidiary
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Independent Auditors' 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, 2015, 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.

Kentucky
Indiana
Ohio

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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, 2015, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016, 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.

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, 2014, were audited by other auditors whose report dated August 12, 2015, expressed an unmodified opinion on those statements.



Cincinnati, Ohio
August 25, 2016

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statements of Financial Position
As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 235,726	\$ 373,917
Investments, at fair value	306,873	315,171
Grants receivable	460,556	301,992
Prepaid expenses	65,222	54,459
Total current assets	<u>1,068,377</u>	<u>1,045,539</u>
Property and equipment, net	855,965	846,957
Other assets		
Deposits	1,106	2,057
Total assets	<u>\$ 1,925,448</u>	<u>\$ 1,894,553</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	61,640	47,742
Accrued vacation	106,155	106,883
Current portion of long term debt	7,070	1,918
Total current liabilities	<u>174,865</u>	<u>156,543</u>
Long-term debt	<u>146,335</u>	<u>153,986</u>
Net assets		
Unrestricted	904,776	820,340
Board designated	299,773	308,071
Total unrestricted	<u>1,204,549</u>	<u>1,128,411</u>
Temporarily restricted	392,699	448,613
Permanently restricted	7,000	7,000
Total net assets	<u>1,604,248</u>	<u>1,584,024</u>
Total liabilities and net assets	<u>\$ 1,925,448</u>	<u>\$ 1,894,553</u>

See Notes to Consolidated Financial Statements

Santa Maria Community Services, Inc. and Subsidiary

Consolidated Statements of Activities

For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
United Way allocations	\$ 979,165	\$ -	\$ -	\$ 979,165
Contributions	417,636	523,393	-	941,029
Special events, net of direct costs of \$ 24,389	44,037	-	-	44,037
Investment return	(4,676)	-	-	(4,676)
In-kind donations	2,110	-	-	2,110
Total public support and revenue	1,438,272	523,393	-	1,961,665
Program revenue				
Government grants	1,531,060	-	-	1,531,060
Service fees	167,529	-	-	167,529
Total program revenue	1,698,589	-	-	1,698,589
Net assets released from restriction	579,307	(579,307)	-	-
Total public support and revenues	3,716,168	(55,914)	-	3,660,254
Expenses				
Program services				
Early childhood/Parenting	1,319,318	-	-	1,319,318
Workforce development	877,571	-	-	877,571
Wellness	251,156	-	-	251,156
AmeriCorps	348,249	-	-	348,249
Youth	190,670	-	-	190,670
Administrative	466,141	-	-	466,141
Development	235,984	-	-	235,984
Total expenses	3,689,089	-	-	3,689,089
Other income (expense)				
Miscellaneous income	31,477	-	-	31,477
Interest expense	(10,501)	-	-	(10,501)
Gain (Loss) on sale	(5,877)	-	-	(5,877)
Rental property income	33,960	-	-	33,960
Total other income	49,059	-	-	49,059
Change in net assets	76,138	(55,914)	-	20,224
Net assets, beginning of year	1,128,411	448,613	7,000	1,584,024
Net assets, end of year	\$ 1,204,549	\$ 392,699	\$ 7,000	\$ 1,604,248

See Notes to Consolidated Financial Statements

Santa Maria Community Services, Inc. and Subsidiary

Consolidated Statements of Activities

For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	17,375	-	-	17,375
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	160,872	-	-	160,872
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	1,133,523	-	-	1,133,523
Workforce development	998,338	-	-	998,338
Meals on Wheels	17,373	-	-	17,373
Wellness	310,593	-	-	310,593
AmeriCorps	292,630	-	-	292,630
Youth	193,022	-	-	193,022
Administrative	376,139	-	-	376,139
Development	199,761	-	-	199,761
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	26,861	-	-	26,861
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>

See Notes to Consolidated Financial Statements

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the year ended December 31, 2015

	Early Childhood/ Parenting	Workforce Development	Immigrant & Wellness	AmeriCorps	Youth	Administrative	Development	Total
Salaries and related expenses								
Salaries and wages	\$ 792,108	\$ 426,767	\$ 124,205	\$ 268,087	\$ 104,959	\$ 256,253	\$ 125,068	\$ 2,097,447
Employee benefits and taxes	267,484	142,602	37,796	46,367	28,832	85,467	47,733	656,281
	<u>1,059,592</u>	<u>569,369</u>	<u>162,001</u>	<u>314,454</u>	<u>133,791</u>	<u>341,720</u>	<u>172,801</u>	<u>2,753,728</u>
Other expenses								
Assistance to individuals	19,236	69,023	2,811	852	4,350	-	-	96,272
Awards and grants	1,517	797	319	203	306	441	184	3,767
Conferences, conventions and meetings	2,174	1,183	165	1,392	26	1,469	305	6,714
Insurance	11,849	6,968	2,206	1,340	2,180	3,017	1,343	28,903
Membership dues	1,861	1,017	366	222	364	525	619	4,974
Miscellaneous	3,574	2,375	690	198	405	36,863	10,069	54,174
Occupancy	33,125	61,454	9,337	8,366	3,970	33,378	6,517	156,147
Postage	1,874	1,348	429	157	267	1,134	3,185	8,394
Printing and publications	6,405	6,623	2,653	1,369	968	3,213	8,137	29,368
Professional services	76,747	81,429	55,857	1,372	12,603	20,071	12,709	260,788
Staff education	4,105	1,735	502	2,372	139	1,083	1,305	11,241
Office supplies	5,286	8,125	1,014	1,058	851	1,892	1,051	19,277
Supplies	27,561	30,668	4,384	4,457	18,867	948	13,400	100,285
Travel	32,018	5,298	942	2,317	1,480	3,655	607	46,317
Telephone	15,070	18,635	4,182	3,547	7,599	10,498	3,752	63,283
	<u>242,402</u>	<u>296,678</u>	<u>85,857</u>	<u>29,222</u>	<u>54,375</u>	<u>118,187</u>	<u>63,183</u>	<u>889,904</u>
Depreciation	17,324	11,524	3,298	4,573	2,504	6,234	-	45,457
	<u>\$ 1,319,318</u>	<u>\$ 877,571</u>	<u>\$ 251,156</u>	<u>\$ 348,249</u>	<u>\$ 190,670</u>	<u>\$ 466,141</u>	<u>\$ 235,984</u>	<u>\$ 3,689,089</u>

See Notes to Consolidated Financial Statements

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the 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	\$ 685,876	\$ 469,775	\$ 10,276	\$ 147,501	\$ 224,375	\$ 107,401	\$ 209,483	\$ 101,890	\$ 1,956,577
Employee benefits and taxes	240,089	158,948	3,951	47,507	38,449	31,865	66,897	41,110	628,216
	<u>925,965</u>	<u>628,123</u>	<u>14,227</u>	<u>195,008</u>	<u>262,824</u>	<u>139,266</u>	<u>276,380</u>	<u>143,000</u>	<u>2,584,793</u>
Other expenses									
Assistance to individuals	2,298	78,128	-	1,687	-	-	-	-	82,113
Awards and grants	1,741	1,498	6	735	131	365	142	141	4,759
Conferences, conventions and meetings	3,763	4,610	-	241	605	90	1,042	160	10,511
Insurance	13,053	9,917	326	4,947	932	2,788	3,067	1,202	36,232
Membership dues	1,395	1,391	40	526	79	301	176	835	4,743
Miscellaneous	3,132	2,645	114	1,249	298	598	4,693	1,374	14,103
Occupancy	34,364	69,583	792	13,651	7,646	8,630	44,976	8,728	188,370
Postage	522	888	-	392	89	1	703	2,818	5,413
Printing and publications	4,715	4,621	196	2,567	767	575	2,957	5,322	21,720
Professional services	55,443	94,712	545	67,937	5,780	13,132	19,968	13,697	271,214
Staff education	5,862	5,760	-	1,723	259	96	1,620	606	15,926
Office supplies	3,935	12,567	159	1,833	978	724	222	1,179	21,597
Supplies	14,936	50,816	165	7,284	4,131	18,162	339	16,317	112,150
Travel	27,506	3,833	171	893	2,099	761	5,076	1,008	41,347
Telephone	18,262	15,639	397	7,105	2,058	4,932	8,544	3,374	60,311
	<u>190,927</u>	<u>356,608</u>	<u>2,911</u>	<u>112,770</u>	<u>25,852</u>	<u>51,155</u>	<u>93,525</u>	<u>56,761</u>	<u>890,509</u>
Depreciation	16,631	13,607	235	2,815	3,954	2,601	6,234	-	46,077
	<u>\$ 1,133,523</u>	<u>\$ 998,338</u>	<u>\$ 17,373</u>	<u>\$ 310,593</u>	<u>\$ 292,630</u>	<u>\$ 193,022</u>	<u>\$ 376,139</u>	<u>\$ 199,761</u>	<u>\$ 3,521,379</u>

See Notes to Consolidated Financial Statements

Santa Maria Community Services, Inc. and Subsidiary**Consolidated Statements of Cash Flows****For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating activities		
Change in net assets	\$ 20,224	\$ 196,077
Adjustments to reconcile change in net assets to net cashflows from operating activities:		
Depreciation	45,457	46,077
Realized and unrealized loss (gain) on investments	7,056	(2,147)
Loss on disposal of property and equipment	5,877	-
Changes in operating assets and liabilities		
Grants receivable	(158,564)	(63,070)
Prepaid expenses	(10,763)	(27,874)
Deposits	951	492
Accounts payable	13,898	(31,176)
Accrued vacation	(728)	14,303
Net cash flows from operating activities	<u>(76,592)</u>	<u>132,682</u>
Investing activities		
Purchases of property and equipment	(60,342)	(15,618)
Purchases of investments	1,242	(5,667)
Net cash flows from investing activities	<u>(59,100)</u>	<u>(21,285)</u>
Financing activities		
Repayment of debt	(2,499)	-
Net change in cash and cash equivalents	<u>(138,191)</u>	<u>111,397</u>
Cash and cash equivalents, beginning of year	<u>373,917</u>	<u>262,520</u>
Cash and cash equivalents, end of year	<u>\$ 235,726</u>	<u>\$ 373,917</u>
Interest paid	\$ 10,501	\$ -

See Notes to Consolidated Financial Statements

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

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, including Youth Development; Workforce Development, which includes focus on financial stability, housing, employment services and GED preparation; Wellness & Immigrants; AmeriCorps with a focus on GED preparation and health navigation. 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 (collectively, the "Organization"). All significant intercompany transaction 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, 2015 and 2014.

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.

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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. There were no such donations for the years ended December 31, 2015 and 2014.

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, 2015 and 2014, totaled \$2,110 and \$17,375, 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.

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.

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Fair value measurements, continued:

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, 2015 and 2014 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, 2015 and 2014.

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.

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.

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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 2012.

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 25, 2016, the date the consolidated financial statements were available to be issued.

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% of total support and revenues came from government grants for 2015 and 2014 as disclosed in Note 9. Approximately 26% of total support and revenues came from United Way for 2015 and 2014.

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

Note 3. Investments

The following tables summarize the fair value of the Organization's investments by level as of December 31, 2015 and 2014:

	<u>Fair value measurements at December 31, 2015</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Unrestricted Mutual funds	\$ -	\$ 100	\$ -	\$ 100
Unrestricted-board designated-Mutual funds	-	299,773	-	299,773
Permanently restricted-Mutual funds	-	7,000	-	7,000
	<u>\$ -</u>	<u>\$ 306,873</u>	<u>\$ -</u>	<u>\$ 306,873</u>

	<u>Fair value measurements at December 31, 2014</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Unrestricted Mutual funds	\$ -	\$ 100	\$ -	\$ 100
Unrestricted-board designated-Mutual funds	-	308,071	-	308,071
Permanently restricted-Mutual funds	-	7,000	-	7,000
	<u>\$ -</u>	<u>\$ 315,171</u>	<u>\$ -</u>	<u>\$ 315,171</u>

Investment return(loss) consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends - investments	\$ 1,824	\$ 8,717
Interest – general operations	556	334
Net realized and unrealized gains(losses)	(7,056)	2,147
	<u>\$ (4,676)</u>	<u>\$ 11,198</u>

Management does not consider the differences between the cost and fair value of investment securities as of December 31, 2015 and 2014, 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.

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

Note 4. Endowment, Continued

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. and Subsidiary**Notes to Consolidated Financial Statements****December 31, 2015****Note 4. Endowment, Continued**

Endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 7,000	\$ 7,000
Board designated endowment funds	<u>299,773</u>	<u>-</u>	<u>-</u>	<u>299,773</u>
Total funds	<u>\$ 299,773</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 306,773</u>

Changes in endowment net assets for the year ended December 31, 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Endowment new assets, beginning of year	\$ 308,071	\$ -	\$ 7,000	\$ 315,071
Investment income	1,824	-	-	1,824
Net depreciation	(7,056)	-	-	(7,056)
Investment advisory fees	<u>(3,066)</u>	<u>-</u>	<u>-</u>	<u>(3,066)</u>
Endowment net assets, end of year	<u>\$ 299,773</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 306,773</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Endowment new 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>

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

Note 5. Property and Equipment

Property and equipment consist of the following major classifications:

	<u>2015</u>	<u>2014</u>
Land	\$ 70,643	\$ 70,643
Building and improvements	1,126,654	1,071,284
Furniture and equipment	46,414	70,897
Vehicles	<u>42,696</u>	<u>46,696</u>
	1,286,407	1,259,520
Accumulated depreciation	<u>(430,442)</u>	<u>(412,563)</u>
	<u>\$ 855,965</u>	<u>\$ 846,957</u>

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Early Childhood/Parenting	\$ 163,627	\$ 157,784
Workforce Development	21,383	49,908
Wellness	50,341	109,206
AmeriCorps	44,059	40,259
Youth	46,980	80,393
Other various programming	<u>66,309</u>	<u>11,063</u>
	<u>\$ 392,699</u>	<u>\$ 448,613</u>

Note 7. Assets Released From Restrictions

Temporarily restricted net assets released from restrictions for the years ended December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Early Childhood/Parenting	\$ 277,501	\$ 179,629
Workforce Development	42,076	95,340
Wellness	100,427	51,103
AmeriCorps	28,467	1,878
Youth	89,373	38,188
Other various programming	<u>41,464</u>	<u>22,300</u>
	<u>\$ 579,307</u>	<u>\$ 388,438</u>

Santa Maria Community Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2015

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 \$55,963 and \$57,660 for the years ended December 31, 2015 and 2014, respectively.

Note 9. Government Grants

Revenue from government agencies consists of the following:

	<u>2015</u>	<u>2014</u>
Workforce Investment Act	\$ 450,035	\$ 427,980
4C for Children	35,251	44,909
Ohio Commission on Minority Health	817	1,884
City of Cincinnati	82,219	75,976
Cincinnati Public Schools	-	16,046
Cincinnati Area Senior Services	-	10,446
Talbert House, Inc.	6,435	7,625
LISC Greater Cincinnati and Northern Kentucky	157,376	143,625
Ohio Commission on Service and Volunteerism	191,615	198,817
Every Child Succeeds	607,312	572,070
	<u>\$ 1,531,060</u>	<u>\$ 1,499,378</u>

Note 10. Long-Term Debt

Long-term debt consists of the following:

	<u>2015</u>	<u>2014</u>
Ed & Joann Hubert Family Foundation, Inc., interest free loan (with an imputed interest rate of 3.27%) monthly installments commenced on January 1, 2015, with final payment due on December 1, 2026. The loan is collateralized by various properties held by the Organization.	\$ 153,405	\$ 155,904
Less current portion	<u>7,070</u>	<u>1,918</u>
	<u>\$ 146,335</u>	<u>\$ 153,986</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.

Santa Maria Community Services, Inc. and Subsidiary**Notes to Consolidated Financial Statements****December 31, 2015**

Note 10. Long-Term Debt, Continued

Aggregate maturities of long-term debt for the years subsequent to December 31, 2015, are as follows:

2016	\$	7,070
2017		7,305
2018		13,638
2019		14,091
2020		14,558
Thereafter		<u>96,743</u>
	\$	<u>153,405</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, 2015, are as follows:

2016	\$	10,000
2017		10,000
2018		10,000
2019		<u>4,167</u>
	\$	<u>34,167</u>

Gross rental income recognized on noncancelable operating leases totaled \$33,960 and \$26,861 for the years ended December 31, 2015 and 2014, 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 not be significant to the consolidated financial statements.

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 (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2015, 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 25, 2016.

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.



Cincinnati, Ohio
August 25, 2016

Santa Maria Community Services, Inc. and Subsidiary

Schedule of Prior Year Audit Findings

For the year ended December 31, 2015

None Reported