SANTA MARIA COMMUNITY SERVICES, INC.

FINANCIAL STATEMENTS

December 31, 2009

SANTA MARIA COMMUNITY SERVICES, INC.

CONTENTS

INTERNAL CONTROL AND COMPLIANCE

DECOSIMO
CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, LLC
Chemed Center - Suite 2200
255 East Fifth Street
Cincinnati, Ohio 45202
www.decosimo.com

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying statements of financial position of Santa Maria Community Services, Inc., an Ohio not-for-profit organization, as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Maria Community Services, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2010, on our consideration of Santa Maria Community Service, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Joseph Decosimo and Company, LLC

Cincinnati, Ohio
June 22, 2010

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 286,737	$ 290,023
Investments	217,618	173,125
Grants receivable	116,149	155,216
Prepaid expenses	38,797	36,992
Total current assets	659,301	655,356
PROPERTY AND EQUIPMENT, net	438,553	475,844
OTHER ASSETS		
Deposits	5,137	4,080
TOTAL ASSETS	$ 1,102,991	$ 1,135,280
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 28,458	$ 25,100
Accrued vacation	78,259	77,232
Total liabilities	106,717	102,332
NET ASSETS		
Unrestricted	555,793	564,514
Board designated	208,755	165,699
Total unrestricted	764,548	730,213
Temporarily restricted	224,726	295,735
Permanently restricted	7,000	7,000
Total net assets	996,274	1,032,948
TOTAL LIABILITIES AND NET ASSETS	$ 1,102,991	$ 1,135,280

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
United Way allocations	$ 915,090	$ -	$ -	$ 915,090
Contributions	238,269	331,418	-	569,687
Special events, net of direct costs of $24,472	25,868	-	-	25,868
Investment return	45,876	-	-	45,876
In-kind donations	1,044	-	-	1,044
Total public support and revenue	1,226,147	331,418	-	1,557,565
PROGRAM REVENUE				
Government grants	933,847	7,918	-	941,765
Service fees	26,464	-	-	26,464
Total program revenue	960,311	7,918	-	968,229
Net assets released from restriction	410,345	(410,345)	-	-
TOTAL SUPPORT AND REVENUES	2,596,803	(71,009)	-	2,525,794

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES				
Program services				
Early Childhood / Parenting	$ 966,699	$ -	$ -	$ 966,699
Housing	356,259	-	-	356,259
Meals on Wheels	309,101	-	-	309,101
Wellness	206,314	-	-	206,314
Youth	325,732	-	-	325,732
Administrative	256,771	-	-	256,771
Development	151,112	-	-	151,112
Total expenses	2,571,988	-	-	2,571,988
OTHER INCOME (EXPENSE)				
Miscellaneous income	9,750	-	-	9,750
Loss on disposal of property and equipment	(230)	-	-	(230)
Total other income (expense)	9,520	-	-	9,520
CHANGE IN NET ASSETS	34,335	(71,009)	-	(36,674)
NET ASSETS - beginning of year	730,213	295,735	7,000	1,032,948
NET ASSETS - end of year	$ 764,548	$ 224,726	$ 7,000	$ 996,274

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
United Way allocations	$ 930,000	$ -	$ -	$ 930,000
Contributions	105,128	413,863	-	518,991
Special events, net of direct costs of $20,782	34,485	-	-	34,485
Investment return	(74,840)	-	-	(74,840)
In-kind donations	2,375	-	-	2,375
Total public support and revenue	997,148	413,863	-	1,411,011
PROGRAM REVENUE				
Government grants	872,234	43,764	-	915,998
Service fees	20,202	-	-	20,202
Total program revenue	892,436	43,764	-	936,200
Net assets released from restriction	361,472	(361,472)	-	-
TOTAL SUPPORT AND REVENUES	2,251,056	96,155	-	2,347,211

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES				
Program services				
Early Childhood / Parenting	$ 949,793	$ -	$ -	$ 949,793
Housing	313,583	-	-	313,583
Meals on Wheels	313,919	-	-	313,919
Wellness	279,834	-	-	279,834
Youth	307,470	-	-	307,470
Administrative	238,180	-	-	238,180
Development	169,415	-	-	169,415
Total expenses	2,572,194	-	-	2,572,194
OTHER INCOME (EXPENSE)				
Miscellaneous income	13,343	-	-	13,343
Loss on disposal of property and equipment	(503)	-	-	(503)
Total other income (expense)	12,840	-	-	12,840
CHANGE IN NET ASSETS	(308,298)	96,155	-	(212,143)
NET ASSETS - beginning of year	1,038,511	199,580	7,000	1,245,091
NET ASSETS - end of year	$ 730,213	$ 295,735	$ 7,000	$ 1,032,948

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009

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

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

	Program Services							
	Early Childhood / Parenting	Housing	Meals on Wheels	Wellness	Youth	Administrative	Development	Total
SALARIES AND RELATED EXPENSES								
Salaries and wages	$ 594,821	$ 182,485	$ 102,197	$ 158,566	$ 173,119	$ 146,706	$ 99,820	$ 1,457,714
Employee benefits and taxes	169,206	60,806	30,845	50,496	41,450	43,557	35,332	431,692
	764,027	243,291	133,042	209,062	214,569	190,263	135,152	1,889,406
OPERATING EXPENSES								
Assistance to individuals	654	13,730	304	15,632	805	-	-	31,125
Awards and grants	7,855	109	58	96	81	60	3,347	11,606
Conferences, conventions and meetings	2,953	479	196	787	336	626	2,754	8,131
Insurance	10,240	3,005	1,663	2,782	2,350	1,664	1,232	22,936
Membership dues	591	390	101	622	127	576	910	3,317
Miscellaneous	6,064	829	488	816	1,199	6,931	410	16,737
Occupancy	19,372	12,676	8,707	3,824	9,602	8,716	6,457	69,354
Postage	2,022	1,224	308	1,257	223	1,387	3,077	9,498
Printing and publications	11,535	2,218	962	2,600	2,940	1,955	3,770	25,980
Professional services	33,275	12,033	2,322	22,101	13,457	11,247	3,015	97,450
Staff education	9,041	394	-	1,348	140	501	1,160	12,584
Office supplies	4,591	2,016	1,182	1,160	1,302	1,308	1,319	12,878
Supplies	30,366	11,507	155,003	8,573	20,614	8,096	4,374	238,533
Travel	17,025	380	1,461	1,853	741	2,017	683	24,160
Telephone	11,793	3,714	2,472	3,093	3,503	2,833	1,755	29,163
Youth activities	290	41	-	-	28,936	-	-	29,267
	167,667	64,745	175,227	66,544	86,356	47,917	34,263	642,719
DEPRECIATION	18,099	5,547	5,650	4,228	6,545	-	-	40,069
	$ 949,793	$ 313,583	$ 313,919	$ 279,834	$ 307,470	$ 238,180	$ 169,415	$ 2,572,194

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

SANTA MARIA COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

	2009	2008
OPERATING ACTIVITIES		
Change in net assets	$ (36,674)	$ (212,143)
Adjustments to reconcile change in net assets to net cash flows from operating activities -		
Depreciation	42,336	40,069
Unrealized loss (gain) on investments	(37,548)	88,725
Loss on disposal of property and equipment	230	503
Changes in operating assets and liabilities -		
Grants receivable	39,067	(10,604)
Prepaid expenses	(1,805)	(6,587)
Deposits	(1,057)	-
Accounts payable	3,358	947
Accrued liabilities	1,027	15,871
Net cash flows from operating activities	8,934	(83,219)
INVESTING ACTIVITIES		
Purchases of property and equipment	(5,275)	(28,408)
Purchases of investments	(6,945)	(5,263)
Net cash flows from investing activities	(12,220)	(33,671)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,286)	(116,890)
CASH AND CASH EQUIVALENTS - beginning of year	290,023	406,913
CASH AND CASH EQUIVALENTS - end of year	$ 286,737	$ 290,023

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

BASIS OF PRESENTATION - The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Accordingly, the Organization is required to report information regarding its financial position and activities, as applicable, according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization satisfying the purpose restriction or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal must be maintained intact in perpetuity and that only the income from the investment thereof must be expended either for the general purpose of the Organization or for purposes specified by the donor. Permanently restricted net assets as of December 31, 2009 and 2008, totaled $7,000 and $7,000, respectively.

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

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

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

RECOGNITION OF DONATED SERVICES - The Organization recognizes donated services as revenues in the period received only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Revenue recognized for donated services for the years ended December 31, 2009 and 2008, totaled $1,044 and $2,375, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

REVENUE RECOGNITION - The Organization recognizes service fees when services are performed. Grants are recognized in earnings in the period in which the related expenditures are incurred. Contributions from United Way are recognized when received.

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

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

FAIR VALUE MEASUREMENTS - Effective January 1, 2008, the Organization adopted the Financial Accounting Standards Board's new interpretation, *Fair Value Measurements,* for all financial instruments that are required to be reported at fair value and all nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis. Effective January 1, 2009, the Organization adopted the standard for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of this standard did not have a material effect on the Organization's financial statements.

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 fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The fair value of the Organization's investments as of December 31, 2009 and 2008, was determined using Level 1 inputs and such investments include equity securities, money market and mutual funds.

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, 2009 or 2008.

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 less accumulated depreciation at the date of acquisition or fair value at the date of gift, if donated. 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 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.

Effective January 1, 2009, the Organization adopted the Financial Accounting Standards Board's new interpretation, *Accounting for Uncertainty in Income Taxes*. This interpretation prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The adoption of this interpretation did not have a material effect on the Organization's financial statements.

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

ESTIMATES AND UNCERTAINTIES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS - Certain reclassifications have been made to the 2008 financial statements in order for them to conform to the 2009 financial statement presentation.

SUBSEQUENT EVENTS - The Organization has evaluated subsequent events for potential recognition and disclosure through June 22, 2010, the date the financial statements were available to be issued.

NOTE 2 - ECONOMIC DEPENDENCE

A substantial portion of the Organization's revenue comes from government grants and the United Way of Greater Cincinnati (United Way) program. Approximately 37% and 38% of total revenues and support came from government grants for 2009 and 2008, respectively, and 36% and 40% of total revenues and support came from United Way for 2009 and 2008, respectively.

NOTE 3 - INVESTMENTS

Investments are reported at fair value and consist of the following:

	2009	2008
Unrestricted		
National City Investments	$ 285	$ 326
P & G Securities	1,478	-
SMCS Development Corp.	100	100
Unrestricted - board designated		
Greater Cincinnati Foundation	208,755	165,699
Permanently restricted	7,000	7,000
	$ 217,618	$ 173,125

Investment return consists of the following:

	2009	2008
Interest and dividends	$ 8,328	$ 13,885
Net unrealized gains (losses)	37,548	(88,725)
	$ 45,876	$ (74,840)

Management does not consider the differences between the cost and fair value of investment securities as of December 31, 2009 or 2008, to be significant.

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

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

NOTE 3 - INVESTMENTS - continued

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 well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that 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.

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

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

Changes in endowment net assets as of December 31, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 165,699	$ -	$ 7,000	$ 172,699
Contributions	-	-	-	-
Investment income	5,463	-	-	5,463
Net appreciation	37,593	-	-	37,593
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	$ 208,755	$ -	$ 7,000	$ 215,755

NOTE 3 - INVESTMENTS - continued

Endowment net asset composition by type of fund as of December 31, 2008 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ -	$ 7,000	$ 7,000
Board-designated endowment funds	165,699	-	-	165,699
Total funds	$ 165,699	$ -	$ 7,000	$ 172,699

Change in endowment net assets as of December 31, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 249,487	$ -	$ 7,000	$ 256,487
Contributions	-	-	-	-
Investment income	6,763	-	-	6,763
Net appreciation (depreciation)	(90,551)	-	-	(90,551)
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	$ 165,699	$ -	$ 7,000	$ 172,699

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following major classifications:

	2009	2008
Land	**$ 24,500**	$ 24,500
Building and improvements	**665,035**	660,635
Furniture and equipment	**83,373**	83,373
Vehicles	**39,183**	39,033
	812,091	807,541
Accumulated depreciation	**(373,538)**	(331,697)
	$ 438,553	$ 475,844

NOTE 5 - RESTRICTED NET ASSETS

Restricted net assets consist of the following:

	2009	2008
Wellness programming	$ 58,511	$ 48,764
Meals on wheels	11,511	9,726
Youth programming	27,343	46,866
Parenting programming	21,114	50,116
Community development programming	37,132	50,014
Lower Price Hill housing fund	44,347	74,347
Development/marketing	783	8,000
Renovations to buildings	20,000	1,706
Other various programs	3,985	6,196
	$ 224,726	$ 295,735

NOTE 6 - ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the grant or gift or by occurrence of other events specified by donors.

	2009	2008
Purpose restriction accomplished -		
Wellness programming	$ 23,973	$ 71,533
Meals on wheels	15,000	2,000
Youth programming	64,023	42,239
Parenting programming	162,805	219,435
Community development programming	89,033	6,040
Development/marketing	7,217	2,623
Lower Price Hill Housing	30,000	-
Building renovations	1,706	12,339
Other various programs	16,588	5,263
	$ 410,345	$ 361,472

NOTE 7 - RETIREMENT PLAN

The Organization sponsors a retirement plan which provides benefits for eligible employees under the Internal Revenue Code. Employer contributions to the Plan are made in accordance with a specified formula. Benefit payments are based on amounts accumulated from employer and voluntary employee contributions. The Organization's contributions to the Plan totaled $92,277 and $105,430 for the years ended December 31, 2009 and 2008, respectively.

NOTE 8 - GOVERNMENT AGENCIES

Revenue from government agencies consists of the following:

	2009	2008
Ohio Department of Aging through the Council on Aging of Southwestern Ohio	$ 296,898	$ 292,164
Ohio Children's Trust Fund	-	15,000
Ohio Commission on Minority Health	14,750	37,506
City of Cincinnati - Sedamsville	57,388	60,125
Cincinnati Public Schools	46,325	-
Hamilton County Department of Job and Family Services	-	11,743
Talbert House, Inc.	2,155	5,300
YMCA Youth and Schools	75,448	112,121
Every Child Succeeds	448,801	382,039
	$ 941,765	$ 915,998

NOTE 9 - CONTINGENCIES

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

The Organization participates in federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2009, audits of certain programs have not been completed. Accordingly, the Organization's compliance with applicable grant requirements will be established at some future date.

INTERNAL CONTROL AND COMPLIANCE

DECOSIMO
CERTIFIED PUBLIC ACCOUNTANTS

Joseph Decosimo and Company, LLC
Chemed Center - Suite 2200
255 East Fifth Street
Cincinnati, Ohio 45202
www.decosimo.com

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

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

We have audited the financial statements of Santa Maria Community Services, Inc. (the Organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Joseph Decosimo and Company, LLP

Cincinnati, Ohio
June 22, 2010