Santa Maria Community Services, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2016

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Santa Maria Community Services, Inc. and Subsidiary
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, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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.

Auditors' 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, 2016, 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.

Correction of Error

As described in Note 2 to the consolidated financial statements, Santa Maria Community Services, Inc. and Subsidiary restated its net assets to record contributions receivable in the proper period. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, on our consideration of the Santa Maria Community Services, Inc. and Subsidiary'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 Santa Maria Community Services, Inc. and Subsidiary's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 25, 2017

Assets		
Current assets:		
Cash and cash equivalents	$	521,850
Grants receivable		335,342
Contributions receivable		1,288,110
Prepaid expenses		56,746
Investments, at fair value		331,212
Total current assets		2,533,260
Property and equipment, net		943,273
Other assets:		
Deposits		1,057
Total assets	$	3,477,590
Liabilities and net assets		
Current liabilities:		
Accounts payable	$	83,368
Accrued vacation		110,084
Current portion of long term debt		7,305
Total current liabilities		200,757
Long-term debt, net of current portion		139,611
Total liabilities		340,368
Net assets:		
Unrestricted		996,380
Board designated		324,112
Total unrestricted		1,320,492
Temporarily restricted		1,809,730
Permanently restricted		7,000
Total net assets		3,137,222
Total liabilities and net assets	$	3,477,590

See notes to the consolidated financial statements.

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
United Way allocations	$ 94,999	884,152	-	979,151
Contributions	381,703	1,116,304	-	1,498,007
Special events, net of direct costs of $29,419	42,555	-	-	42,555
Investment return	27,803	-	-	27,803
In-kind donations	7,915	-	-	7,915
Total public support and revenue	554,975	2,000,456	-	2,555,431
Program revenue				
Government grants	1,700,836	-	-	1,700,836
Service fees	159,131	-	-	159,131
Total program revenue	1,859,967	-	-	1,859,967
Net assets released from restrictions	1,564,445	(1,564,445)	-	-
Total public support and revenues	3,979,387	436,011	-	4,415,398
Expenses				
Program services				
Early childhood/Parenting	1,535,221	-	-	1,535,221
Workforce development	807,682	-	-	807,682
Wellness and immigrant services	184,501	-	-	184,501
AmeriCorps	352,609	-	-	352,609
Youth	288,799	-	-	288,799
Administrative	473,335	-	-	473,335
Development	256,760	-	-	256,760
Total expenses	3,898,907	-	-	3,898,907
Other income (expense)				
Miscellaneous income	763	-	-	763
Interest expense	(4,510)	-	-	(4,510)
Rental property income	39,210	-	-	39,210
Total other income	35,463	-	-	35,463
Change in net assets	115,943	436,011	-	551,954
Net assets, beginning of year, as originally stated	1,204,549	392,699	7,000	1,604,248
Restatement of net assets (Note 2)	-	981,020	-	981,020
Net assets, beginning of year, as restated	1,204,549	1,373,719	7,000	2,585,268
Net assets, end of year	$ 1,320,492	1,809,730	7,000	3,137,222

See notes to the consolidated financial statements.

	Early Childhood/ Parenting	Workforce Development	Wellness & Immigrant Services	AmeriCorps	Youth	Administrative	Development	Total
Salaries and related expenses								
Salaries and wages	$ 930,964	366,656	93,902	276,080	195,468	278,816	159,079	2,300,965
Employee benefits and taxes	325,328	111,723	25,275	39,412	28,690	90,528	50,950	671,906
	1,256,292	478,379	119,177	315,492	224,158	369,344	210,029	2,972,871
Other expenses								
Assistance to individuals	32,117	66,782	1,836	1,115	1,526	-	-	103,376
Awards and grants	1,125	900	126	99	125	268	143	2,786
Conferences, conventions and meetings	1,242	3,876	232	1,596	13	4,125	3,758	14,842
Insurance	16,618	6,541	1,556	1,219	990	2,849	1,563	31,336
Membership dues	3,176	1,604	215	169	230	889	921	7,204
Miscellaneous	5,167	3,366	385	765	550	4,599	320	15,152
Occupancy	48,535	74,444	10,746	7,274	17,133	38,030	14,200	210,362
Postage	1,949	1,150	617	61	152	-	-	3,929
Printing and publications	10,936	7,749	3,167	846	1,650	4,484	7,856	36,688
Professional services	51,842	72,486	32,613	12,522	9,111	19,763	6,255	204,592
Staff education	7,622	2,805	430	522	260	795	1,139	13,573
Office supplies	11,286	6,460	1,326	1,708	3,077	274	1,910	26,041
Supplies	20,525	44,155	4,951	2,957	19,030	1,100	2,932	95,650
Travel	34,778	2,889	464	2,869	925	3,077	772	45,774
Telephone	18,062	17,649	3,408	2,559	8,936	10,358	3,670	64,642
	264,980	312,856	62,072	36,281	63,708	90,611	45,439	875,947
Depreciation	13,949	16,447	3,252	836	933	13,380	1,292	50,089
	$ 1,535,221	807,682	184,501	352,609	288,799	473,335	256,760	3,898,907

See notes to the consolidated financial statements.

Cash flows from operating activities	
Change in net assets	$ 551,954
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	50,089
Realized and unrealized gain on investments	(14,339)
Changes in operating assets and liabilities	
Grants receivable	125,214
Contributions receivable	(307,090)
Prepaid expenses	8,476
Deposits	49
Accounts payable	21,728
Accrued vacation	3,929
Net cash flows from operating activities	440,010
Cash flows from investing activities	
Purchases of property and equipment	(137,397)
Purchases of investments	(10,000)
Net cash flows from investing activities	(147,397)
Cash flows from financing activities	
Repayment of debt	(6,489)
Net change in cash and cash equivalents	286,124
Cash and cash equivalents, beginning of year	235,726
Cash and cash equivalents, end of year	$ 521,850

See notes to the consolidated financial statements.

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 a focus on childhood education; Workforce Development, which includes focus on financial stability, housing, employment services and GED preparation; Wellness & Immigrant Services which includes a focus on healthcare; AmeriCorps with a focus on GED preparation and health navigation; Youth development, which includes a focus on life, social and emotion skill 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 (collectively, the "Organization"). 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 are considered unrestricted. Net assets reserved via actions of the Board of Directors have been identified as board designated. Board designated net assets consists of an endowment fund at December 31, 2016.

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 are considered to be temporarily restricted.

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 are considered to be permanently restricted. Permanently restricted net assets were $7,000 as of December 31, 2016.

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 temporarily restricted 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. 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.

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 and other donors 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 statement of financial position amounts due to outstanding checks.

Investments
Investments consist of funds held by a local community foundation and are carried at the estimated fair value as provided by the community foundation.

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.

The following is a description of valuation methodologies used for assets measured at fair value.

Funds held by others are considered to be Level 3 and are valued at the estimated fair value of the assets based on the underlying investments using prices obtained from the Greater Cincinnati Foundation as custodian of the assets, which used third party data service providers, without adjustment by management.

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 consolidated financial statements.

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.

Contributions receivable
The Organization has received multi-year contributions that are due in future periods. Contributions receivable are recorded net of a discount for net present value. Management has determined that no allowance for uncollectible contributions receivable is necessary at December 31, 2016.

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. Unrelated business income is not material to the consolidated financial statements as a whole.

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 used 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.

Subsequent events
The Organization has evaluated subsequent events for potential recognition and disclosure through July 25, 2017, the date the consolidated financial statements were available to be issued.

2. RESTATEMENT OF NET ASSETS:

Temporarily restricted net assets at the beginning of 2016 have been restated to reflect contributions in the proper period identified during 2016. The net effect of this restatement was to increase temporarily restricted net assets by $981,020 as of January 1, 2016.

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consisted of the following as of December 31, 2016:

Less than one year	$ 1,092,649
Two to five years	202,500
	1,295,149
Less unamortized discount at 2.02%	7,039
	$ 1,288,110

4. INVESTMENTS:

The Organization has recorded a beneficial interest in investments held by The Greater Cincinnati Foundation in its Endowment Fund of $331,112 at December 31, 2016, respectively. The pooled endowment fund holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. The Organization also has an investment in a limited partnership that is carried at cost of $100.

The following tables summarize the fair value of the Organization's investments by level as of December 31, 2016:

	Fair value measurements as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Funds held by others for the benefit of the Organization	$ -	-	331,112	331,112

The following is a reconciliation of the Level 3 fair value measurements at the Organization as of December 31, 2016:

	Investments Held by Others for the Benefit of the Organization
Balance as of January 1, 2016	$ 306,773
Investment advisory fees	(3,021)
Contributions	10,000
Change in value, held at end of year	17,360
Balance as of December 31, 2016	$ 331,112

5. 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 pooled endowment fund as described in Note 4 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.

Endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor restricted endowment funds	$ -	-	7,000	7,000
Board designated endowment funds	324,112	-	-	324,112
Total funds	$ 324,112	-	7,000	331,112

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment net assets, beginning of year	$ 299,773	-	7,000	306,773
Contributions	10,000	-	-	10,000
Net appreciation	17,360	-	-	17,360
Investment advisory fees	(3,021)	-	-	(3,021)
Endowment net assets, end of year	$ 324,112	-	7,000	331,112

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following major classifications at December 31, 2016:

Land	$ 70,643
Building and improvements	1,210,211
Furniture and equipment	60,542
Vehicles	57,666
	1,399,062
Accumulated depreciation	(455,789)
	$ 943,273

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, 2016, consist of the following:

Early Childhood/Parenting	$ 34,981
Workforce Development	81,880
Wellness	99,057
Americorps	50,242
Youth	120,092
Capacity building	79,088
Time restrictions	1,288,110
Other	56,280
	$ 1,809,730

8. LONG-TERM DEBT:

Long-term debt consists of an interest-free loan from the Ed & Joann Hubert Family Foundation, Inc. Monthly installments commence on January 1, 2015 (with an imputed interest rate of 3.27%), with final payment due on December 1, 2026. The loan is collateralized by various properties held by the Organization. The balance outstanding at December 31, 2016 was $146,916.

Aggregate maturities of long-term debt for the years subsequent to December 31, 2016, are as follows:

2017	$ 7,305
2018	13,638
2019	14,091
2020	14,558
2021	15,042
Thereafter	82,282
	$ 146,916

9. CONCENTRATIONS:

A substantial portion of the Organization's revenue comes from government grants and the United Way of Greater Cincinnati (United Way) program. Approximately 38% of total support and revenues came from government grants for 2016. Approximately 22% of total support and revenues came from United Way for 2016. Approximately 99% of contribution receivables are due from three funders at December 31, 2016.

10. 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 $60,153 for the year ended December 31, 2016.

11. RENTAL REVENUE UNDER OPERATING LEASES:

The Organization leases a portion of certain buildings which generates revenue under operating leases. Cost and net book value of the buildings leased are $206,957 and 176,222, respectively. The future expected revenues under noncancelable operating leases with initial or remaining lease terms in excess of one year as of December 31, 2016, are as follows:

2017	$ 10,000
2018	10,000
2019	4,167
	$ 24,167

Gross rental income recognized on noncancelable operating leases totaled $39,210 for the year ended December 31, 2016.

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.

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INDEPENDENT AUDITORS' 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. and Subsidiary
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 Subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2016, 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 July 25, 2017.

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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 25, 2017

cshco.com

RESULTS THROUGH REMARKABLE RELATIONSHIPS