

**CINCYSMILES FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

For the Years Ended  
December 31, 2015 and December 31, 2014

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13
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 <i>Government Auditing Standards</i>	14 - 15



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
CincySmiles Foundation, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of CincySmiles Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related 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 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of CincySmiles Foundation, Inc. as of December 31, 2015, and the changes in net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of CincySmiles Foundation, Inc. as of December 31, 2014, were audited by other auditors whose report dated June 26, 2015, expressed an unmodified opinion on those statements.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017 on our consideration of CincySmiles Foundation, 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* in considering CincySmiles Foundation, Inc.'s internal control over financial reporting and compliance.

*Rudler, PSC*

Fort Wright, Kentucky  
February 15, 2017

**CINCYSMILES FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2015 and December 31, 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 41,425	\$ 170,891
Grants receivable	271,867	221,960
Loan receivable - McMicken Health Collaborative	110,284	110,284
Prepaid expenses	1,146	15,384
	<u>424,722</u>	<u>518,519</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>184,505</u>	<u>232,178</u>
<b>TOTAL ASSETS</b>	<u><u>609,227</u></u>	<u><u>750,697</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	153,993	116,448
Accrued pension	64,968	55,696
Accrued expenses	36,337	12,144
Line of credit	50,000	65,119
Loan payable - short term	0	12,500
	<u>305,298</u>	<u>261,907</u>
<b>Total Current Liabilities</b>	<u>305,298</u>	<u>261,907</u>
<b>Total Liabilities</b>	<u>305,298</u>	<u>261,907</u>
<b>NET ASSETS</b>		
Unrestricted net assets	153,681	354,177
Temporarily restricted net assets	150,248	134,613
	<u>303,929</u>	<u>488,790</u>
<b>Total Net Assets</b>	<u>303,929</u>	<u>488,790</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 609,227</u></u>	<u><u>\$ 750,697</u></u>

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

## CINCYSMILES FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 556,445	\$ 0	\$ 556,445
Contributions	123,203	150,248	273,451
Donated services	2,007,067	0	2,007,067
Medicaid	610,282	0	610,282
Patient fees	136,400	0	136,400
Fundraising events	7,418	0	7,418
Miscellaneous	2,177	0	2,177
Net assets released from restriction	134,613	(134,613)	0
	<u>3,577,605</u>	<u>15,635</u>	<u>3,593,240</u>
<b>EXPENSES</b>			
Program services	3,633,769	0	3,633,769
Management and general	115,858	0	115,858
Fundraising	14,410	0	14,410
	<u>3,764,037</u>	<u>0</u>	<u>3,764,037</u>
Change in Net Assets Before Other Income	(186,432)	15,635	(170,797)
<b>OTHER INCOME (LOSS)</b>			
Loss on disposal of equipment	(14,064)	0	(14,064)
	<u>(14,064)</u>	<u>0</u>	<u>(14,064)</u>
Total Other Income (Loss)	(14,064)	0	(14,064)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(200,496)</u>	<u>15,635</u>	<u>(184,861)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>354,177</u>	<u>134,613</u>	<u>488,790</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 153,681</u>	<u>\$ 150,248</u>	<u>\$ 303,929</u>

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

**CINCYSMILES FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 604,767	\$ 0	\$ 604,767
Contributions	237,703	156,787	394,490
Donated services	906,591	0	906,591
Medicaid	390,729	0	390,729
Patient fees	48,246	0	48,246
Fundraising events	1,828	0	1,828
Miscellaneous	14,759	0	14,759
Net assets released from restriction	<u>182,464</u>	<u>(182,464)</u>	<u>0</u>
 Total Support and Revenue	 <u>2,387,087</u>	 <u>(25,677)</u>	 <u>2,361,410</u>
 <b>EXPENSES</b>			
Program services	2,233,108	0	2,233,108
Management and general	192,118	0	192,118
Fundraising	<u>27,453</u>	<u>0</u>	<u>27,453</u>
 Total Expenses	 <u>2,452,679</u>	 <u>0</u>	 <u>2,452,679</u>
 <b>DECREASE IN NET ASSETS</b>	 <u>(65,592)</u>	 <u>(25,677)</u>	 <u>(91,269)</u>
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 <u>419,769</u>	 <u>160,290</u>	 <u>580,059</u>
 <b>NET ASSETS AT END OF YEAR</b>	 <u>\$ 354,177</u>	 <u>\$ 134,613</u>	 <u>\$ 488,790</u>

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

**CINCYSMILES FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2015

<b>EXPENSES</b>	<b>Program Service</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Advertising	\$ 1,987	\$ 493	\$ 0	\$ 2,480
Bank fees	0	2,690	0	2,690
Donated services and materials	2,007,067	0	0	2,007,067
Conference and meetings	0	310	0	310
Contract labor	55,751	0	0	55,751
Depreciation	59,176	1,623	0	60,799
Education and dues	6,226	4,305	0	10,531
Employee benefits	70,481	8,904	0	79,385
Events	0	0	2,445	2,445
Insurance	18,795	2,216	0	21,011
Interest	0	10,166	0	10,166
Lab expense	117,469	0	0	117,469
Miscellaneous	0	196	0	196
Occupancy	52,843	6,600	0	59,443
Repairs and maintenance	19,471	1,892	0	21,363
Salaries and wages	981,354	56,624	9,600	1,047,578
Supplies	83,094	1,866	0	84,960
Payroll taxes	99,990	5,957	970	106,917
Other taxes	662	0	0	662
Postage and printing	6,822	781	1,395	8,998
Professional fees	31,865	10,134	0	41,999
Telephone	12,439	822	0	13,261
Travel	8,277	279	0	8,556
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,633,769</b>	<b>\$ 115,858</b>	<b>\$ 14,410</b>	<b>\$ 3,764,037</b>

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



**CINCYSMILES FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2014

<b>EXPENSES</b>	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 1,914	\$ 0	\$ 0	\$ 1,914
Bank fees	0	2,397	0	2,397
Donated services and materials	906,591	0	0	906,591
Conference and meetings	0	315	0	315
Contract labor	48,819	0	0	48,819
Depreciation	61,641	623	0	62,264
Education and dues	2,318	1,141	0	3,459
Employee benefits	73,120	8,298	1,564	82,982
Events	0	0	5,780	5,780
Insurance	16,162	7,960	0	24,122
Interest	0	5,835	0	5,835
Lab expense	154,792	0	0	154,792
Miscellaneous	1,118	894	224	2,236
Occupancy	66,706	12,041	1,525	80,272
Repairs and maintenance	23,456	0	0	23,456
Salaries and wages	672,950	76,385	14,513	763,848
Supplies	93,407	16,484	0	109,891
Payroll taxes	76,236	8,653	1,644	86,533
Other taxes	871	0	0	871
Postage and printing	5,139	1,836	2,203	9,178
Professional fees	8,216	44,608	0	52,824
Telephone	6,461	3,182	0	9,643
Travel	13,191	1,466	0	14,657
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 2,233,108</u>	<u>\$ 192,118</u>	<u>\$ 27,453</u>	<u>\$ 2,452,679</u>

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

**CINCYSMILES FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2015 and December 31, 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (184,861)	\$ (91,269)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of property	14,064	0
Depreciation and amortization	60,799	62,264
(Increase) decrease in grants and other receivable	(49,907)	(13,363)
(Increase) decrease in prepaid expenses	14,238	(5,136)
Increase (decrease) in accounts payable	37,545	87,113
Increase (decrease) in accrued pension	9,272	0
Increase (decrease) in accrued liabilities	24,193	(192)
 Total Adjustments	 <u>110,204</u>	 <u>130,686</u>
 Net Cash Provided (Used) By Operating Activities	 <u>(74,657)</u>	 <u>39,417</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(27,190)</u>	<u>(7,867)</u>
 Net Cash Used By Investing Activities	 <u>(27,190)</u>	 <u>(7,867)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	(15,119)	0
Principal payments on loans	(12,500)	(33,672)
Borrowing on line of credit	<u>0</u>	<u>3,000</u>
 Net Cash Used By Financing Activities	 <u>(27,619)</u>	 <u>(30,672)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 (129,466)	 878
 <b>CASH, BEGINNING OF YEAR</b>	 <u>170,891</u>	 <u>170,013</u>
 <b>CASH, END OF YEAR</b>	 <u>\$ 41,425</u>	 <u>\$ 170,891</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 10,166	\$ 5,835
Income Taxes	\$ 0	\$ 0

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

**CINCYSMILES FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of CincySmiles Foundation, Inc.(the Foundation) is presented to assist in understanding the Foundation's financial statements. The statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles.

**Nature of Organization**

The CincySmiles Foundation, Inc. was incorporated in the State of Ohio in 1909 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio Law. The purpose of the CincySmiles Foundation, Inc. is to improve dental health in the greater Cincinnati area through prevention, dental health education, and dental care.

**Basis of Presentation**

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP for nonprofit organizations require, among other things, the net assets to be classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Foundation 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 Trustees to support the Foundation's purposes and operations in accordance with its bylaws.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation satisfying the purpose or the passage of time.

**Cash and Cash Equivalents**

The Foundation considers all money invested in short-term savings accounts to be cash equivalents. The Foundation maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Foundation has not experienced losses in such accounts and management believes is not exposed to any significant credit risk.

**Accounts receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. After reviewing receivables at December 31, 2015 and 2014, management determined that all receivables were collectible and therefore no allowance was recorded.

**Property and Equipment**

Property and equipment are recorded at cost or fair value at the time of the gift in the case of donated items. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Generally, assets that cost \$5,000 or greater are capitalized, while maintenance and repairs are expensed as incurred.

**CINCYSMILES FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
December 31, 2015 and December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

GAAP requires the Foundation to assess the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Foundation believes no impairments existed at December 31, 2015 and 2014.

**Government Grants**

Public funding by governmental agencies is recognized as the Foundation performs the contracted services or incurs outlays eligible for reimbursement under the support agreements. Activities and outlays may be subject to audit and acceptance by the supporting agency and, as a result of such audit, adjustments could be required.

**Contributions**

The Foundation records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue.

Unconditional promises to give, expected to be collected within one year, are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. All contributions receivable are expected to be collected within one year.

**Donated Services**

The Foundation records 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. Donated services recognized for the years ended December 31, 2015 and 2014 consist of donated dental services provided by state licensed dentists.

**Functional Expenses**

Salaries and related expenses are charged to program services based on the estimated time spent by personnel on program services. Direct expenses are charged to program services based upon costs incurred when specifically identifiable with program services. All other costs are allocated to programs and supporting services based on management estimate.

**Uncertain Tax Positions**

The Foundation's Form 990 is subject to review and examination by federal and state authorities, but returns for years prior to 2012 would no longer be subject to review. The Foundation is not aware of any activities that would jeopardize its tax-exempt status. The Foundation is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes.

**CINCYSMILES FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
December 31, 2015 and December 31, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements requires management to make estimates assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Estimates and assumptions are inherent in the determination of the allowance for uncollectible receivables. While management applies judgment based assumption believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that a materially different amount would be reported using different assumptions.

**Reclassification**

Certain prior year data in the consolidated financial statements has been reclassified to conform with current year presentation.

**NOTE 2 - ACCOUNTS AND GRANTS RECEIVABLES**

Accounts and grants receivables as of December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
United Way receivable	\$ 139,510	\$ 134,287
Foundation grants receivable	11,070	35,000
Government grants & contracts receivable	121,287	49,465
Other accounts receivable	<u>0</u>	<u>3,208</u>
	<u>\$ 271,867</u>	<u>\$ 221,960</u>

**NOTE 3 - LOAN RECEIVABLE-RELATED PARTY**

The CincySmiles Foundation, Inc. in collaboration with another entity, formed 40 E. McMicken Co. on June 29, 2005 to purchase the second mortgage of a property on 40 East McMicken Avenue from a bank for \$75,000. The mortgage is recorded at cost as a loan receivable on the Foundation's financial statements. 40 E. McMicken Co. conducts business under the name McMicken Health Collaborative. In 2008, title was transferred to the McMicken Health Collaborative. The statement of financial position includes a 0% demand note receivable from McMicken Health Collaborative with a balance of \$35,284 at December 31, 2015 and December 31, 2014.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 293,146	\$ 300,758
Leasehold improvements	317,712	317,711
Dental van	<u>521,912</u>	<u>579,231</u>
	1,132,770	1,197,700
Less: Accumulated depreciation	<u>(948,265)</u>	<u>(965,522)</u>
Total Property and Equipment	<u>\$ 184,505</u>	<u>\$ 232,178</u>

**CINCYSMILES FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
December 31, 2015 and December 31, 2014

**NOTE 5 - LINE OF CREDIT**

In August of 2014, the Foundation moved its \$75,000 revolving line of credit to Huntington Bank with a rate of 4.50% at December 31, 2015. The note is collateralized by substantially all the assets of the Foundation. The outstanding balances as of December 31, 2015 and 2014 were \$50,000 and \$65,119, respectively. The line of credit was renewed in 2016 under the same terms.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31:

<u>Program</u>	<u>2015</u>	<u>2014</u>
United Way	\$ 131,509	\$ 134,287
Headstart	0	326
Sisters Health Foundation	<u>18,739</u>	<u>0</u>
Total Restricted Net Assets	<u>\$ 150,248</u>	<u>\$ 134,613</u>

**NOTE 7 - RETIREMENT PLANS**

The Foundation participates in a non-contributory, defined benefit pension plan (the Plan). United Way of Greater Cincinnati serves as Plan Administrator and accounts for the Plan under accounting principles generally accepted in the United States as a multi-employer plan. The Foundation funds and expenses required contributions each year.

The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employees.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the Plan may be borne by the remaining participating employees.
3. If the Foundation chooses to stop participating in its multi-employer plan, the Foundation may be required to pay the plan an amount based on the underfunded status of the Plan, referred to as a withdrawal penalty. This amount approximated \$482,479 At December 31, 2015.

The Foundation's participation in this plan for the annual period ended December 31, 2015, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. The FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RO) is either pending or has been implemented.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>FIP/RP Status Pending/Implemented</u>	<u>Contributions of The Foundation 2015</u>	<u>2014</u>
Pension Plan for Employees of United Way of Greater Cincinnati and Affiliated Agencies	31-0537502/ PN 333	N/A	\$13,554	\$26,005

**CINCYSMILES FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
December 31, 2015 and December 31, 2014

**NOTE 7 - RETIREMENT PLANS (Continued)**

At December 31, 2015, the Plan was underfunded and the Foundation's potential liability for future years due to the underfunding has been estimated at approximately \$155,588 based on the current Plan's actuarial data and asset value as of January 1, 2016. The actual minimum funding requirements for the future will be determined at each anniversary date. The Foundation does not intend to withdraw from the Plan.

Effective January 1, 2005, the Foundation initiated a voluntary 401(k) plan that covers substantially all employees. The Foundation may make a matching contribution at its discretion. For the years ended December 31, 2015 and 2014, the matching contribution was \$2,875 and \$2,047, respectively.

**NOTE 8 - OPERATING LEASES**

The Foundation leases office space under a month to month operating lease with monthly payments of \$1,200 per month. Total office lease expense was \$14,400 for the years ended December 31, 2015 and 2014.

**NOTE 9 - RELATED PARTIES**

The Foundation has a loan receivable from the McMicken Health Collaborative totaling \$110,284 at zero interest with no stated due date and is due on demand; as mentioned in Note 3, this is a collaborative in which CincySmiles participates. Management believes that since interest, if accrued on this amount, would be immaterial, the value of the loan is substantially equivalent to fair value. The Foundation also paid McMicken Health Collaborative rent expense totaling \$35,186 for December 31, 2015 and \$34,558 for December 31, 2014.

**NOTE 10 - SUBSEQUENT EVENTS**

Management evaluated all activity through February 15, 2017 (the date the financial statements were available for issuance) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes.



**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**

Board of Trustees  
CincySmiles Foundation, Inc.

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 financial statements of CincySmiles Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related statement 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 February 15, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CincySmiles Foundation, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of CincySmiles Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of CincySmiles Foundation, Inc.'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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 CincySmiles Foundation, Inc.'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*.

CERTIFIED PUBLIC ACCOUNTANTS

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## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rudler, PSC

Fort Wright, Kentucky  
February 15, 2017