

COMMUNITY OPPORTUNITIES, INC.

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2004

COMMUNITY OPPORTUNITIES, INC.

Table of Contents

| | <u>Page</u> |
|--|------------------|
| Board of Directors | 1 |
| Independent Auditor's Report | 2 |
| | <u>Exhibit</u> |
| Financial Statements: | |
| Combined Statement of Financial Position - All Funds | A 4 |
| Combined Statement of Activities - All Funds | B 5 |
| Combined Statement of Functional Expenditures - Administrative Fund and Program Funds | C 6 |
| Statement of Cash Flows | D 7 |
| Notes to Financial Statements | 8 |
| | <u>Schedules</u> |
| Supplemental Information: | |
| Combining Statement of Financial Position - Program Funds | 1 16 |
| Combining Statement of Activities - Program Funds | 2 19 |
| Schedule of Expenditures of Federal Awards | 3 23 |
| Schedule of Revenues and Expenditures Compared to Budget: | |
| Community Services Block Grant | 4 24 |
| Low-Income Home Energy Assistance Program | 5 25 |
| Weatherization Assistance Programs | 6- 9 26 |
| Schedule of Revenues and Expenditures: Administrative Fund | 10 30 |
| Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting | 31 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance | 33 |
| Schedule of Findings and Questioned Costs | 35 |

COMMUNITY OPPORTUNITIES, INC.

BOARD OF DIRECTORS

Executive Board of Directors

John Brockelsby Chairperson
Dennis Dorman Vice Chairperson
Dan Kratoska Secretary-Treasurer

Board Members

Representing

| <u>County</u> | <u>Government</u> | <u>Low-Income</u> | <u>Private</u> |
|---------------|-------------------|-------------------|-----------------|
| Audubon | LaVerne Deist | Vacancy | Sue Barnes |
| Calhoun | Gary Nicholson | Paulette Casey | Jeff Larson |
| Carroll | Eugene Meiners | Dan Kratoska | John Brockelsby |
| Dallas | Alice Wicker | Dennis Dorman | Barb Maier |
| Greene | Terry Adams | Vacancy | Vacancy |
| Guthrie | James Petersen | Vacancy | Vacancy |
| Sac | Dean Stock | Vacancy | Barton Thoreson |

Agency Officials

Lloyd DeMoss Executive Director
Tim Weigel Fiscal Director

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

ROGER A. BELL
MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Opportunities, Inc.
Carroll, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Community Opportunities, Inc. (a nonprofit organization) as of and for the year ended September 30, 2004. These financial statements are the responsibility of the Agency's management. 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Community Opportunities, Inc. as of and for the year ended September 30, 2004, and the results of its operations, changes in net assets and cash flows for the year 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 reports dated December 21, 2004 on our consideration of Community Opportunities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors
Community Opportunities, Inc.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included on Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stonehill, Bell, Kyelem • Co. P.C

Atlantic, Iowa
December 21, 2004

COMMUNITY OPPORTUNITIES, INC.
 Combined Statement of Financial Position
 All Funds
 September 30, 2004

| ASSETS | <u>Administrative Fund</u> | <u>Program Funds</u> | <u>Plant Fund</u> | <u>Total (Memorandum Only)</u> |
|--|--------------------------------|--------------------------|-----------------------|--|
| Cash | \$ 18,145 | \$ 82,794 | \$ -- | \$ 100,939 |
| Receivables: | | | | |
| Grantor agencies | -- | 295,033 | -- | 295,033 |
| Other sources | -- | 27,108 | -- | 27,108 |
| Other funds | 127,028 | -- | -- | 127,028 |
| Prepaid expense | 6,580 | 8,913 | -- | 15,493 |
| Inventory | 4,908 | -- | -- | 4,908 |
| Property and equipment at cost, less accumulated depreciation of \$621,907 | <u>--</u> | <u>--</u> | <u>219,830</u> | <u>219,830</u> |
| Total Assets | <u>\$ 156,661</u> | <u>\$ 413,848</u> | <u>\$ 219,830</u> | <u>\$ 790,339</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities | | | | |
| Payables: | | | | |
| Accounts | \$ 42,681 | \$ 76,771 | \$ -- | \$ 119,452 |
| Grantor agencies | -- | 16,489 | -- | 16,489 |
| Salaries and benefits | 8,075 | 81,409 | -- | 89,484 |
| Other funds | -- | 127,028 | -- | 127,028 |
| State advance | -- | 32,087 | -- | 32,087 |
| Deferred revenue | -- | 48,826 | -- | 48,826 |
| Note payable | <u>7,704</u> | <u>--</u> | <u>--</u> | <u>7,704</u> |
| Total Liabilities | 58,460 | 382,610 | -- | 441,070 |
| Net Assets | | | | |
| Unrestricted | 98,201 | -- | 133,417 | 231,618 |
| Temporarily restricted by grantor agencies | <u>--</u> | <u>31,238</u> | <u>86,413</u> | <u>117,651</u> |
| Total Net Assets | <u>98,201</u> | <u>31,238</u> | <u>219,830</u> | <u>349,269</u> |
| Total Liabilities and Net Assets | <u>\$ 156,661</u> | <u>\$ 413,848</u> | <u>\$ 219,830</u> | <u>\$ 790,339</u> |

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
 Combined Statement of Activities
 All Funds
 Year Ended September 30, 2004

| | Administrative Fund | Program Funds | Plant Fund | Total (Memorandum Only) |
|---|------------------------|------------------|-------------------|-------------------------------|
| Revenues: | | | | |
| Governmental Funding Sources: | | | | |
| Iowa Department of Human Rights | \$ -- | \$ 1,929,625 | \$ -- | \$ 1,929,625 |
| U.S. Department of Health and Human Services | -- | 2,088,254 | -- | 2,088,254 |
| Iowa Department of Public Health | -- | 539,894 | -- | 539,894 |
| Iowa Department of Education | -- | 403,775 | -- | 403,775 |
| Iowa Department of Economic Development | -- | 136,283 | -- | 136,283 |
| Various | -- | 194,238 | -- | 194,238 |
| In-Kind Contributions | -- | 504,501 | -- | 504,501 |
| Public Support and Contributions | 76 | 143,846 | -- | 143,922 |
| Co-Funding | -- | 179,138 | -- | 179,138 |
| Interest Income | 406 | -- | -- | 406 |
| Miscellaneous | <u>15,352</u> | <u>565,628</u> | -- | <u>580,980</u> |
| Total Revenues | 15,834 | 6,685,182 | -- | 6,701,016 |
| Expenditures: | | | | |
| Head Start | -- | 2,740,190 | -- | 2,740,190 |
| Community Services Block Grant (CSBG) | -- | 287,218 | -- | 287,218 |
| Low-Income Home Energy Assistance Program (LIHEAP) | -- | 1,262,991 | -- | 1,262,991 |
| Weatherization Assistance | -- | 229,775 | -- | 229,775 |
| Maternal and Child Health | -- | 323,916 | -- | 323,916 |
| Family Planning | -- | 190,908 | -- | 190,908 |
| Immunization | -- | 18,032 | -- | 18,032 |
| Abstinence Education | -- | 10,383 | -- | 10,383 |
| Women, Infants and Children (WIC) | -- | 297,233 | -- | 297,233 |
| Child and Adult Care Food Program (CACFP) - Homes | -- | 306,178 | -- | 306,178 |
| Home Investment Partnership Program | -- | 146,706 | -- | 146,706 |
| Various | -- | 818,647 | -- | 818,647 |
| Administration | 12,584 | -- | -- | 12,584 |
| Depreciation and Disposal of Assets | -- | -- | 76,047 | 76,047 |
| Total Expenditures | <u>12,584</u> | <u>6,632,177</u> | <u>76,047</u> | <u>6,720,808</u> |
| Change in Net Assets | 3,250 | 53,005 | (76,047) | (19,792) |
| Net Assets (Liabilities) at Beginning of Year | <u>94,951</u> | <u>(21,767)</u> | <u>295,877</u> | <u>369,061</u> |
| Net Assets at End of Year | <u>\$ 98,201</u> | <u>\$ 31,238</u> | <u>\$ 219,830</u> | <u>\$ 349,269</u> |

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
 Combined Statement of Functional Expenditures
 Administrative Fund and Program Funds
 Year Ended September 30, 2004

| | <u>Administrative Fund</u> | <u>Program Funds</u> | <u>Total (Memorandum Only)</u> |
|---|--------------------------------|--------------------------|--|
| Salaries and wages | \$ 190,649 | \$ 1,922,211 | \$ 2,112,860 |
| Fringe benefits | 39,044 | 459,727 | 498,771 |
| Assistance to individuals | 7,604 | 2,248,903 | 2,256,507 |
| Professional fees and contracted services | 29,995 | 241,780 | 271,775 |
| Travel | 4,194 | 82,779 | 86,973 |
| Meetings and workshops | -- | 35,392 | 35,392 |
| Occupancy | 7,533 | 87,745 | 95,278 |
| Utilities and telephone | 4,771 | 123,489 | 128,260 |
| Supplies and materials | 8,901 | 236,962 | 245,863 |
| Equipment | 1,634 | 43,317 | 44,951 |
| Printing, publications and postage | 2,715 | 48,769 | 51,484 |
| Insurance | 5,210 | 17,809 | 23,019 |
| Miscellaneous | 2,466 | 107,523 | 109,989 |
| Co-funding | -- | 179,138 | 179,138 |
| In-kind: | | | |
| Labor | -- | 248,137 | 248,137 |
| Materials and other | -- | 256,364 | 256,364 |
| | <u>304,716</u> | <u>6,340,045</u> | <u>6,644,761</u> |
| Total Expenditures Before Allocation of Indirect Costs | | | |
| Allocation of indirect costs | <u>(292,132)</u> | <u>292,132</u> | <u>--</u> |
| Total Expenditures | <u>\$ 12,584</u> | <u>\$ 6,632,177</u> | <u>\$ 6,644,761</u> |

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
Statement of Cash Flows
Year Ended September 30, 2004

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Cash received from State Agencies | \$ 2,925,749 |
| Cash received from Federal Grantor | 2,088,254 |
| Contributions received | 143,922 |
| Interest received | 406 |
| Other receipts | 934,653 |
| Cash paid to employees and suppliers | (6,077,369) |
| Interest paid | (1,022) |
| Net cash provided by operating activities | <u>14,593</u> |
| Cash flows from financing activities: | |
| Principal paid on note payable | <u>(34,668)</u> |
| Net decrease in cash | (20,075) |
| Cash and cash equivalents at beginning of year | <u>121,014</u> |
| Cash and cash equivalents at end of year | <u>\$ 100,939</u> |
| Reconciliation of change in net assets to net cash provided by operating activities: | |
| Change in net assets | \$(19,792) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation and disposal of assets | 76,047 |
| Changes in assets and liabilities | |
| Receivables | 38,870 |
| Prepaid expenses | (10,335) |
| Inventory | 2,974 |
| Payables | (147,240) |
| State advance | 32,087 |
| Deferred revenue | 41,982 |
| Total adjustments | <u>34,385</u> |
| Net cash provided by operating activities | <u>\$ 14,593</u> |

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Community Opportunities, Inc., a not-for-profit corporation, is a community action agency that serves the Iowa counties of Audubon, Calhoun, Carroll, Dallas, Greene, Guthrie, and Sac. Community Opportunities, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

Community Opportunities, Inc. administers various programs funded by Federal, State and local governmental bodies. Each program is accounted for as a separate fund. As indicated on Exhibit B, the Agency received approximately 60% of its revenues from two governmental funding sources. The Agency has renewed substantially all of these governmental funding sources for fiscal year October 1, 2004 to September 30, 2005.

B. Fund Accounting

The accounts of Community Opportunities, Inc. are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenditures. The various funds are summarized as follows in the financial statements:

Administrative Fund - The Administrative Fund represents funds derived from local sources such as donations, rents and miscellaneous activities. The Agency's overall management and administrative expenditures are charged to this fund and then allowable indirect costs are allocated to the various programs which the Agency administers.

Program Funds - Program Funds are used to account for the revenues and expenditures that are contractually restricted by the funding source for specific purposes.

Plant Fund - The Plant Fund is used to accumulate the net investment in fixed assets and to account for the unexpended resources contributed specifically for the purpose of acquiring fixed assets for the Agency.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

The financial statements for the year ended September 30, 2003 and years ended prior to September 30, 2003 were prepared on a modified cash basis which did not give effect to all accounts receivable, accounts payable and accrued items for grants not completed as of the respective year end. The change to the accrual basis of accounting for the year ended September 30, 2004 did not have a material effect on net assets, therefore the net assets as of the beginning of the year have not been restated.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Temporarily restricted net assets are those whose use by the Agency has been limited by grantor agencies to a specific time period or purpose.

Revenues and expenses are reported as increases or decreases in unrestricted net assets unless use of the related assets is limited by donor- or grantor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Basis of Presentation for Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (page 23) includes the federal grant activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

F. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the combined statement of financial position:

Cash and Cash Equivalents - Cash includes amounts in demand deposit accounts.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Receivables from Grantor Agencies - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenditures as of the beginning and end of the year. Receivables from Grantor Agencies represent an excess of expenditures over cash basis reimbursements for the completed grants at year end.

All receivables are considered fully collectible. Accordingly, no provision for uncollectible amounts has been recorded.

Receivables/Payables from Other Funds - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent that certain transactions between funds had not been paid or received as of September 30, 2004, balances of interfund amounts receivable or payable have been recorded.

Prepaid Expenses - Prepaid expenses consist of the unexpired portion of insurance premiums for Agency auto, liability, property damage, and worker's compensation coverage as of September 30, 2004.

Inventory - Supplies are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Property and Equipment - Property and equipment are valued at historical cost or estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and equipment purchased are recorded as expenditures in the fund purchasing the asset. The purchases are then capitalized in the plant fund accumulating the net investment in fixed assets. Depreciation has been provided in the plant fund using the straight-line method over the estimated useful lives of the respective assets, generally 5 to 20 years. The depreciated cost of the property and equipment does not purport to be either a realizable value or a replacement value.

Expenditures for maintenance, repairs and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized.

G. In-Kind Contributions

The Agency recognizes donated labor, services, materials and rent-free or rent-reduced usage of facilities and equipment as in-kind revenues at the time the services and materials are received. These in-kind contributions and the corresponding expense are valued at their estimated fair market value and recognized in the financial statements in accordance with grant requirements.

H. Total Column

The total column on the combined statements of financial position, activities, and functional expenditures is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

I. Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - INDIRECT COST RATE AGREEMENT

Community Opportunities, Inc. entered into an Indirect Cost Rate Agreement with their cognizant agency, Department of Health and Human Services, setting a predetermined Indirect Cost Rate (15.3%) for fiscal year October 1, 2003 to September 30, 2004. The Indirect Cost allowed is calculated by multiplying the approved predetermined rate (15.3%) times the allocation base. The allocation base is the Organization's direct salaries and wages, excluding fringe benefits and is applicable to all programs. The use of the Indirect Cost Rate allows for an allocation process of the Organization's costs that are incurred for common or joint objectives and, therefore, cannot be readily and specifically identified with a particular project or activity.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment comprising the plant fund at September 30, 2004, categorized by acquiring program/source, is as follows:

| <u>Acquiring Program/Source</u> | <u>Land and Buildings</u> | <u>Vehicles</u> | <u>Equipment</u> | <u>Total</u> |
|---|-------------------------------|-------------------|-------------------|-------------------|
| Child Adult Care Food Program | \$ -- | \$ -- | \$ 5,705 | \$ 5,705 |
| Community Building Investment Program | -- | -- | 6,987 | 6,987 |
| Community Services Block Grant | -- | -- | 20,929 | 20,929 |
| Head Start | -- | 201,981 | 158,119 | 360,100 |
| Maternal Health/Child Health | -- | -- | 27,823 | 27,823 |
| Low Income Home Energy Assistance Program | -- | -- | 64,765 | 64,765 |
| Weatherization Assistance | -- | 14,724 | 49,586 | 64,310 |
| Women, Infants and Children | -- | -- | 11,749 | 11,749 |
| Other Grantors | -- | -- | 19,410 | 19,410 |
| General Agency | 210,000 | -- | 42,923 | 252,923 |
| United Way | -- | -- | 7,036 | 7,036 |
| Total Cost | <u>210,000</u> | <u>216,705</u> | <u>415,032</u> | <u>841,737</u> |
| Less Accumulated Depreciation | <u>(81,682)</u> | <u>(206,525)</u> | <u>(333,700)</u> | <u>(621,907)</u> |
| Net | <u>\$ 128,318</u> | <u>\$ 10,180</u> | <u>\$ 81,332</u> | <u>\$ 219,830</u> |

The components of the Agency's accumulated depreciation at September 30, 2004 are as follows:

| | <u>Buildings</u> | <u>Vehicles</u> | <u>Equipment</u> | <u>Total</u> |
|---------------------------|------------------|-------------------|-------------------|-------------------|
| Balance Beginning of Year | \$ 72,852 | \$ 178,568 | \$ 294,440 | \$ 545,860 |
| Current Year Depreciation | <u>8,830</u> | <u>27,957</u> | <u>39,260</u> | <u>76,047</u> |
| Balance End of Year | <u>\$ 81,682</u> | <u>\$ 206,525</u> | <u>\$ 333,700</u> | <u>\$ 621,907</u> |

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 4 - NOTE PAYABLE

The note payable consists of the following as of September 30, 2004:

Mortgage payable, Carroll County State Bank,
due in monthly installments of \$875, including
interest at 6.75%, through May, 2005. A final
balloon payment is due in June, 2005. The
mortgage is secured by real estate.

\$ 7,704

NOTE 5 - LEASE COMMITMENT

Community Opportunities, Inc. leases office space under operating leases which may be canceled by either party by giving a thirty day notice in writing of their intention to vacate the lease. The Agency also leases two vehicles, copy machines, and a telephone system under non-cancelable operating leases expiring through March, 2006.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2004 are as follows:

| <u>Year Ending</u> <u>September 30,</u> | |
|--|------------------|
| 2005 | \$ 16,406 |
| 2006 | <u>5,053</u> |
| Total minimum future rental payments | <u>\$ 21,459</u> |

Rental expense under all operating leases for the year ended September 30, 2004 totaled approximately \$80,500.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 6 - COMPENSATED ABSENCES

Employees accumulate vacation hours for subsequent use or payment upon retirement, termination, or death. They also accumulate non-vesting sick leave hours which are available for subsequent use only. These accumulations are not recognized as expenditures by Community Opportunities, Inc. until used by the employee. Based on these facts, no liability is accrued in these financial statements for accumulated employee vacation and sick leave. The total vacation that has been accumulated as of September 30, 2004, but not recognized as a liability by Community Opportunities, Inc., based on current rates of pay, is approximately \$42,750.

NOTE 7 - PENSION AND RETIREMENT BENEFITS

Iowa Public Employees Retirement System

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended September 30, 2004, 2003, and 2002 were approximately \$110,300, \$107,400, and \$104,400, respectively, equal to the required contribution for that year.

Tax-Sheltered Annuity

The Agency has established a tax-sheltered annuity arrangement. The plan is available to all employees with one year of service, and a minimum of 1,000 hours of service in a twelve-month period of time.

Under the terms of the plan, the Agency contributes an amount equal to 2.0 percent of the annual salary for each employee participating in the plan who elected not to participate in IPERS when the Agency began contributing to IPERS in October, 1996 (covered payroll). Each plan participant must contribute 1.0 percent of their annual salary and all such payments are accumulated and invested for individual participants of the plan. Amounts credited to individual participants are 100 percent vested immediately. The accumulated monies are paid upon a participant's retirement or termination.

For the year ended September 30, 2004, the Agency's contributions amounted to \$921 which is 2 percent of its current year covered payroll of \$46,030. Employees' contributions of all participants amounted to \$9,823. The Agency's total current year payroll for all employees was \$2,112,860.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2004

NOTE 8 - CONTINGENCIES

Line of Credit

The Agency has established an open-end line of credit with Carroll County State Bank with a face amount of \$100,000. This agreement expires in December, 2004.

Federal Assistance Grants

Community Opportunities, Inc. receives a significant portion of its revenues from government grants and contracts, all of which are subject to audit by the federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits, therefore no liability is accrued on these financial statements.

Agency Risk Management

Community Opportunities, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Off-Balance Sheet Risk

The Agency maintains its deposits at several banks in the area. At various times throughout the year and at year end, the deposits in one of the banks exceeded the FDIC insured deposit limits for one entity (by approximately \$196,000 at year end). Management of the Agency has received no indication of any potential viability problems with this bank by the date of this report.

* * *

SUPPLEMENTAL INFORMATION

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Financial Position - Program Funds
September 30, 2004

| | Head Start | Immigration Advocacy | CSBG |
|---------------------------------------|------------|-------------------------|----------|
| ASSETS | | | |
| Cash | \$ -- | \$ -- | \$ 2,554 |
| Receivables: | | | |
| Grantor agencies | 85,014 | -- | -- |
| Other sources | -- | 350 | -- |
| Prepaid expense | -- | -- | -- |
| Total Assets | \$ 85,014 | \$ 350 | \$ 2,554 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Payables: | | | |
| Accounts | \$ 18,256 | \$ 503 | \$ 1,282 |
| Grantor agencies | -- | -- | -- |
| Salaries and benefits | 51,608 | 976 | 1,272 |
| Other funds | 15,150 | 16,691 | -- |
| State advance | -- | -- | -- |
| Deferred revenue | -- | -- | -- |
| Total Liabilities | 85,014 | 18,170 | 2,554 |
| Net Assets (Liabilities) | -- | (17,820) | -- |
| Total Liabilities and Net Assets | \$ 85,014 | \$ 350 | \$ 2,554 |

(continued next page)

| <u>County Outreach</u> | <u>Housing Program</u> | <u>CACFP</u> | <u>WIC</u> |
|------------------------|------------------------|------------------|------------------|
| \$ 54,634 | \$ 18,034 | \$ -- | \$ -- |
| -- | -- | 28,049 | 42,520 |
| -- | -- | -- | 3,095 |
| -- | -- | -- | -- |
| <u>\$ 54,634</u> | <u>\$ 18,034</u> | <u>\$ 28,049</u> | <u>\$ 45,615</u> |
| | | | |
| \$ 3,443 | \$ 90 | \$ 20,455 | \$ 4,240 |
| -- | -- | -- | -- |
| 2,586 | 357 | 1,828 | 7,258 |
| -- | -- | 5,766 | 2,030 |
| -- | -- | -- | 32,087 |
| -- | <u>17,587</u> | -- | -- |
| 6,029 | 18,034 | 28,049 | 45,615 |
| <u>48,605</u> | -- | -- | -- |
| | | | |
| <u>\$ 54,634</u> | <u>\$ 18,034</u> | <u>\$ 28,049</u> | <u>\$ 45,615</u> |

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Financial Position - Program Funds - Continued
September 30, 2004

| | <u>Child Health</u> | <u>Maternal Health</u> | <u>Family Planning</u> |
|-------------------------------------|-------------------------|----------------------------|----------------------------|
| ASSETS | | | |
| Cash | \$ -- | \$ -- | \$ -- |
| Receivables: | | | |
| Grantor agencies | 20,472 | -- | 3,221 |
| Other sources | 8,894 | 3,848 | 7,109 |
| Prepaid expense | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Assets | <u>\$ 29,366</u> | <u>\$ 3,848</u> | <u>\$ 10,330</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Payables: | | | |
| Accounts | \$ 6,679 | \$ 100 | \$ 4,033 |
| Grantor agencies | -- | -- | -- |
| Salaries and benefits | 4,979 | 1,598 | 3,633 |
| Other funds | 17,708 | 2,150 | 2,664 |
| State advance | -- | -- | -- |
| Deferred revenue | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Liabilities | 29,366 | 3,848 | 10,330 |
| Net Assets (Liabilities) | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Liabilities and Net Assets | <u>\$ 29,366</u> | <u>\$ 3,848</u> | <u>\$ 10,330</u> |

(continued next page)

| <u>Hawk-I</u> | <u>ABCD</u> | <u>Abstinence Education</u> | <u>Immunization</u> |
|-----------------|--------------|---------------------------------|---------------------|
| \$ -- | \$ -- | \$ -- | \$ -- |
| 6,054 | 46 | 6,966 | 4,324 |
| 15 | -- | 760 | -- |
| -- | -- | -- | -- |
| <u>\$ 6,069</u> | <u>\$ 46</u> | <u>\$ 7,726</u> | <u>\$ 4,324</u> |

| | | | |
|-----------------|--------------|-----------------|-----------------|
| \$ 3,480 | \$ -- | \$ 3,269 | \$ -- |
| -- | -- | -- | -- |
| 126 | 46 | 162 | -- |
| 2,463 | -- | 4,295 | 4,324 |
| -- | -- | -- | -- |
| -- | -- | -- | -- |
| 6,069 | 46 | 7,726 | 4,324 |
| -- | -- | -- | -- |
| <u>\$ 6,069</u> | <u>\$ 46</u> | <u>\$ 7,726</u> | <u>\$ 4,324</u> |

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Financial Position - Program Funds - Continued
September 30, 2004

| | <u>Dental Infrastructure</u> | <u>Choreperson</u> | <u>Child Lead</u> |
|---------------------------------------|----------------------------------|--------------------|-------------------|
| ASSETS | | | |
| Cash | \$ -- | \$ 2,025 | \$ -- |
| Receivables: | | | |
| Grantor agencies | 75 | -- | 3,455 |
| Other sources | -- | -- | -- |
| Prepaid expense | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Assets | <u>\$ 75</u> | <u>\$ 2,025</u> | <u>\$ 3,455</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Payables: | | | |
| Accounts | \$ 52 | \$ 76 | \$ -- |
| Grantor agencies | -- | -- | -- |
| Salaries and benefits | -- | 184 | 963 |
| Other funds | 23 | -- | 3,394 |
| State advance | -- | -- | -- |
| Deferred revenue | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Liabilities | 75 | 260 | 4,357 |
| Net Assets (Liabilities) | <u>--</u> | <u>1,765</u> | <u>(902)</u> |
| Total Liabilities and Net Assets | <u>\$ 75</u> | <u>\$ 2,025</u> | <u>\$ 3,455</u> |

See accompanying independent auditor's report.

| <u>LIHEAP</u> | <u>Weatherization Assistance</u> | <u>Other</u> | <u>Total</u> |
|------------------|--------------------------------------|-----------------|-------------------|
| \$ -- | \$ -- | \$ 5,547 | \$ 82,794 |
| 24,031 | 70,254 | 552 | 295,033 |
| 1,022 | -- | 2,015 | 27,108 |
| <u>--</u> | <u>8,913</u> | <u>--</u> | <u>8,913</u> |
| <u>\$ 25,053</u> | <u>\$ 79,167</u> | <u>\$ 8,114</u> | <u>\$ 413,848</u> |
| | | | |
| \$ 3,773 | \$ -- | \$ 7,040 | \$ 76,771 |
| 16,489 | -- | -- | 16,489 |
| 2,349 | -- | 1,484 | 81,409 |
| 2,442 | 47,928 | -- | 127,028 |
| -- | -- | -- | 32,087 |
| <u>--</u> | <u>31,239</u> | <u>--</u> | <u>48,826</u> |
| 25,053 | 79,167 | 8,524 | 382,610 |
| <u>--</u> | <u>--</u> | <u>(410)</u> | <u>31,238</u> |
| <u>\$ 25,053</u> | <u>\$ 79,167</u> | <u>\$ 8,114</u> | <u>\$ 413,848</u> |

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Activities - Program Funds
Year Ended September 30, 2004

| | <u>Head Start - EHS 11/30/2003</u> | <u>Head Start - EHS 11/30/2004</u> | <u>EHS Empowerment 6/30/2004</u> |
|---|--|--|--|
| Revenues: | | | |
| Governmental Funding Sources: | | | |
| Iowa Department of Human Rights | \$ -- | \$ -- | \$ -- |
| U.S. Department of Health and Human Services | 499,339 | 1,588,915 | -- |
| Iowa Department of Public Health | -- | -- | -- |
| Iowa Department of Education | 33,315 | 64,468 | -- |
| Iowa Department of Economic Development | -- | -- | -- |
| Various | -- | -- | 53,760 |
| In-Kind Contributions | 117,969 | 386,532 | -- |
| Public Support and Contributions | -- | -- | -- |
| Co-funding | -- | -- | -- |
| Miscellaneous | -- | -- | -- |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 650,623 | 2,039,915 | 53,760 |
| Expenditures: | | | |
| Salaries and wages | 254,632 | 860,164 | 25,860 |
| Fringe benefits | 55,065 | 213,435 | 6,894 |
| Assistance to individuals | 15,964 | 66,327 | 7,773 |
| Professional fees and contracted services | 52,390 | 124,239 | -- |
| Travel | 12,021 | 34,153 | 924 |
| Meetings and workshops | 17,167 | 18,099 | 126 |
| Occupancy | 7,154 | 33,169 | -- |
| Utilities and telephone | 6,844 | 28,030 | 1,628 |
| Supplies and materials | 55,413 | 118,055 | 337 |
| Equipment | 6,058 | 6,049 | -- |
| Printing, publications and postage | 5,497 | 13,008 | 15 |
| Insurance | 727 | 6,713 | 14 |
| Miscellaneous | 67 | 337 | -- |
| Co-Funding | -- | -- | -- |
| In-Kind: | | | |
| Labor | 63,605 | 184,532 | -- |
| Materials and other | 54,364 | 202,000 | -- |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures Before Allocation of Indirect Costs | 606,968 | 1,908,310 | 43,571 |
| Allocation of Indirect Costs | <hr/> 38,959 | <hr/> 131,605 | <hr/> 3,957 |
| Total Expenditures | <hr/> 645,927 | <hr/> 2,039,915 | <hr/> 47,528 |
| Change in Net Assets | 4,696 | -- | 6,232 |
| Net Assets (Liabilities) at Beginning of Year | <hr/> (4,696) | <hr/> -- | <hr/> (6,232) |
| Net Assets (Liabilities) at End of Year | <hr/> <hr/> \$ -- | <hr/> <hr/> \$ -- | <hr/> <hr/> \$ -- |

(continued next page)

| <u>EHS Empowerment 6/30/2005</u> | <u>Immigration Advocacy</u> | <u>CSBG 9/30/2003</u> | <u>CSBG 9/30/2004</u> | <u>County Outreach</u> | <u>Housing Program</u> |
|--|---------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| \$ -- | \$ -- | \$ 45,871 | \$ 225,646 | \$ -- | \$ -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | 136,283 |
| 6,820 | 31,879 | -- | -- | 27,638 | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | 140,065 | -- |
| -- | 26,292 | -- | -- | 81,140 | 1,192 |
| -- | 505 | -- | -- | 29,123 | 9,231 |
| <u>6,820</u> | <u>58,676</u> | <u>45,871</u> | <u>225,646</u> | <u>277,966</u> | <u>146,706</u> |
| 2,872 | 33,245 | 10,073 | 20,582 | 35,462 | 10,883 |
| 1,026 | 6,754 | 2,163 | 5,927 | 15,961 | 2,210 |
| 1,996 | -- | -- | -- | 40,441 | 128,795 |
| -- | -- | -- | 21,000 | -- | -- |
| 292 | 6,387 | 1,139 | 2,861 | 4,200 | 322 |
| -- | -- | -- | -- | -- | -- |
| -- | 2,520 | 160 | 481 | 18,743 | 294 |
| 102 | 5,736 | 2,704 | 9,310 | 33,293 | 807 |
| 91 | 573 | 5,575 | 6,281 | 2,111 | 303 |
| -- | 720 | 559 | 3,745 | 4,360 | 1,250 |
| 2 | 161 | 2,472 | 5,910 | 1,287 | 129 |
| -- | 281 | 431 | 621 | 2,428 | 23 |
| -- | 45 | 191 | 1,205 | 58,509 | 25 |
| -- | -- | 34,564 | 144,574 | -- | -- |
| -- | -- | -- | -- | -- | -- |
| <u>6,381</u> | <u>56,422</u> | <u>60,031</u> | <u>222,497</u> | <u>216,795</u> | <u>145,041</u> |
| <u>439</u> | <u>5,120</u> | <u>1,541</u> | <u>3,149</u> | <u>5,426</u> | <u>1,665</u> |
| <u>6,820</u> | <u>61,542</u> | <u>61,572</u> | <u>225,646</u> | <u>222,221</u> | <u>146,706</u> |
| -- | (2,866) | (15,701) | -- | 55,745 | -- |
| <u>--</u> | <u>(14,954)</u> | <u>15,701</u> | <u>--</u> | <u>(7,140)</u> | <u>--</u> |
| <u>\$ --</u> | <u>\$(17,820)</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 48,605</u> | <u>\$ --</u> |

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Activities - Program Funds - Continued
Year Ended September 30, 2004

| | <u>CACFP</u> | <u>WIC</u> | <u>Child Health</u> |
|--|----------------|----------------|---------------------|
| Revenues: | | | |
| Governmental Funding Sources: | | | |
| Iowa Department of Human Rights | \$ -- | \$ -- | \$ -- |
| U.S. Department of Health and Human Services | -- | -- | -- |
| Iowa Department of Public Health | -- | 270,194 | 107,950 |
| Iowa Department of Education | 305,992 | -- | -- |
| Iowa Department of Economic Development | -- | -- | -- |
| Various | -- | 12,104 | -- |
| In-Kind Contributions | -- | -- | -- |
| Public Support and Contributions | -- | -- | -- |
| Co-funding | 186 | 7,963 | 1,533 |
| Miscellaneous | -- | 6,972 | 113,502 |
| | <u>306,178</u> | <u>297,233</u> | <u>222,985</u> |
| Total Revenues | | | |
| Expenditures: | | | |
| Salaries and wages | 39,255 | 157,105 | 121,506 |
| Fringe benefits | 8,009 | 39,495 | 25,611 |
| Assistance to individuals | 238,579 | 22,213 | 29,386 |
| Professional fees and contracted services | -- | 6,366 | 4,546 |
| Travel | 3,204 | 7,253 | 4,162 |
| Meetings and workshops | -- | -- | -- |
| Occupancy | 1,295 | 9,059 | 3,697 |
| Utilities and telephone | 2,515 | 7,416 | 7,229 |
| Supplies and materials | 3,746 | 4,239 | 4,366 |
| Equipment | 775 | 13,770 | 646 |
| Printing, publications and postage | 2,347 | 3,828 | 2,914 |
| Insurance | 116 | 2,164 | 332 |
| Miscellaneous | 331 | 288 | -- |
| Co-Funding | -- | -- | -- |
| In-Kind: | | | |
| Labor | -- | -- | -- |
| Materials and other | -- | -- | -- |
| | <u>300,172</u> | <u>273,196</u> | <u>204,395</u> |
| Total Expenditures Before Allocation of Indirect Costs | | | |
| Allocation of Indirect Costs | 6,006 | 24,037 | 18,590 |
| | <u>306,178</u> | <u>297,233</u> | <u>222,985</u> |
| Total Expenditures | | | |
| Change in Net Assets | -- | -- | -- |
| Net Assets (Liabilities) at Beginning of Year | -- | -- | -- |
| Net Assets (Liabilities) at End of Year | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

(continued next page)

| <u>Maternal Health</u> | <u>Family Planning</u> | <u>Hawk-I</u> | <u>ABCD 6/30/2004</u> | <u>ABCD 6/30/2005</u> | <u>Abstinence Education</u> |
|------------------------|------------------------|---------------|---------------------------|---------------------------|-----------------------------|
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| -- | -- | -- | -- | -- | -- |
| 46,869 | 54,271 | 12,296 | 1,702 | 123 | 9,898 |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| 24,313 | 32,256 | 213 | 108 | 16 | 485 |
| <u>29,749</u> | <u>104,381</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| 100,931 | 190,908 | 12,509 | 1,810 | 139 | 10,383 |
| 59,328 | 88,863 | 1,391 | 632 | 104 | 3,171 |
| 15,592 | 20,209 | 264 | 118 | 19 | 699 |
| 9,248 | 24,443 | -- | -- | -- | -- |
| 136 | 3,190 | 8,155 | -- | -- | -- |
| 179 | 2,744 | 176 | 95 | -- | 79 |
| -- | -- | -- | -- | -- | -- |
| 1,624 | 5,042 | -- | -- | -- | -- |
| 2,109 | 4,100 | -- | -- | -- | -- |
| 423 | 22,954 | 2,303 | 348 | -- | 1,309 |
| 139 | 208 | -- | -- | -- | -- |
| 2,733 | 4,525 | 7 | 5 | -- | -- |
| 343 | 517 | -- | -- | -- | -- |
| -- | 517 | -- | -- | -- | 4,640 |
| -- | -- | -- | -- | -- | -- |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| 91,854 | 177,312 | 12,296 | 1,198 | 123 | 9,898 |
| <u>9,077</u> | <u>13,596</u> | <u>213</u> | <u>97</u> | <u>16</u> | <u>485</u> |
| <u>100,931</u> | <u>190,908</u> | <u>12,509</u> | <u>1,295</u> | <u>139</u> | <u>10,383</u> |
| -- | -- | -- | 515 | -- | -- |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>(515)</u> | <u>--</u> | <u>--</u> |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Activities - Program Funds - Continued
Year Ended September 30, 2004

| | <u>Immunization</u> <u>12/31/03</u> | <u>Immunization</u> <u>12/31/04</u> | <u>Dental</u> <u>Infrastructure</u> |
|--|--|--|--|
| Revenues: | | | |
| Governmental Funding Sources: | | | |
| Iowa Department of Human Rights | \$ -- | \$ -- | \$ -- |
| U.S. Department of Health and Human Services | -- | -- | -- |
| Iowa Department of Public Health | 8,649 | 9,987 | 1,635 |
| Iowa Department of Education | -- | -- | -- |
| Iowa Department of Economic Development | -- | -- | -- |
| Various | -- | -- | -- |
| In-Kind Contributions | -- | -- | -- |
| Public Support and Contributions | -- | -- | -- |
| Co-funding | 20 | 12 | -- |
| Miscellaneous | -- | -- | -- |
| | <u>8,669</u> | <u>9,999</u> | <u>1,635</u> |
| Total Revenues | 8,669 | 9,999 | 1,635 |
| Expenditures: | | | |
| Salaries and wages | 133 | 81 | 608 |
| Fringe benefits | 21 | 20 | 140 |
| Assistance to individuals | -- | -- | -- |
| Professional fees and contracted services | 7,480 | 9,834 | 75 |
| Travel | 379 | 52 | 87 |
| Meetings and workshops | -- | -- | -- |
| Occupancy | -- | -- | -- |
| Utilities and telephone | -- | -- | -- |
| Supplies and materials | -- | -- | 130 |
| Equipment | -- | -- | -- |
| Printing, publications and postage | -- | -- | 502 |
| Insurance | -- | -- | -- |
| Miscellaneous | -- | -- | -- |
| Co-Funding | -- | -- | -- |
| In-Kind: | | | |
| Labor | -- | -- | -- |
| Materials and other | -- | -- | -- |
| | <u>8,013</u> | <u>9,987</u> | <u>1,542</u> |
| Total Expenditures Before Allocation of Indirect Costs | 8,013 | 9,987 | 1,542 |
| Allocation of Indirect Costs | <u>20</u> | <u>12</u> | <u>93</u> |
| Total Expenditures | <u>8,033</u> | <u>9,999</u> | <u>1,635</u> |
| Change in Net Assets | 636 | -- | -- |
| Net Assets (Liabilities) at Beginning of Year | <u>(636)</u> | <u>--</u> | <u>--</u> |
| Net Assets (Liabilities) at End of Year | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

(continued next page)

| <u>Choreperson 6/30/2004</u> | <u>Choreperson 6/30/2005</u> | <u>Empowerment Lead</u> | <u>Child Lead 6/30/2004</u> | <u>Child Lead 6/30/2005</u> | <u>LIHEAP</u> |
|----------------------------------|----------------------------------|-----------------------------|---------------------------------|---------------------------------|------------------|
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 1,262,991 |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | 12,865 | 3,455 | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| 23,906 | 12,137 | 14,214 | 6,539 | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | 2,412 | 542 | -- |
| <u>(1,209)</u> | <u>25</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| 22,697 | 12,162 | 14,214 | 21,816 | 3,997 | 1,262,991 |
| 3,383 | 1,119 | 9,698 | 15,762 | 3,545 | 83,760 |
| 675 | 374 | 2,037 | 3,642 | 812 | 17,584 |
| 10,050 | 8,625 | -- | -- | -- | 1,131,343 |
| -- | -- | -- | -- | -- | -- |
| -- | 19 | 127 | -- | -- | 1,017 |
| -- | -- | -- | -- | -- | -- |
| -- | -- | 360 | -- | -- | 975 |
| -- | -- | 435 | 32 | -- | 5,954 |
| 23 | 7 | -- | -- | -- | 6,858 |
| -- | -- | -- | -- | -- | 1,315 |
| 126 | 82 | -- | -- | -- | 980 |
| -- | -- | -- | -- | -- | 109 |
| -- | -- | -- | -- | -- | 281 |
| -- | -- | -- | -- | -- | -- |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| 14,257 | 10,226 | 12,657 | 19,436 | 4,357 | 1,250,176 |
| <u>518</u> | <u>171</u> | <u>1,484</u> | <u>2,412</u> | <u>542</u> | <u>12,815</u> |
| <u>14,775</u> | <u>10,397</u> | <u>14,141</u> | <u>21,848</u> | <u>4,899</u> | <u>1,262,991</u> |
| 7,922 | 1,765 | 73 | (32) | (902) | -- |
| <u>(7,922)</u> | <u>--</u> | <u>(73)</u> | <u>32</u> | <u>--</u> | <u>--</u> |
| <u>\$ --</u> | <u>\$ 1,765</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ (902)</u> | <u>\$ --</u> |

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Activities - Program Funds - Continued
Year Ended September 30, 2004

| | <u>HEAP</u> <u>3/31/2004</u> | <u>HEAP</u> <u>3/31/2005</u> | <u>Department</u> <u>of Energy</u> <u>3/31/2004</u> |
|--|---------------------------------|---------------------------------|---|
| Revenues: | | | |
| Governmental Funding Sources: | | | |
| Iowa Department of Human Rights | \$ 23,140 | \$ 11,215 | \$ 92,580 |
| U.S. Department of Health and Human Services | -- | -- | -- |
| Iowa Department of Public Health | -- | -- | -- |
| Iowa Department of Education | -- | -- | -- |
| Iowa Department of Economic Development | -- | -- | -- |
| Various | -- | -- | -- |
| In-Kind Contributions | -- | -- | -- |
| Public Support and Contributions | -- | -- | -- |
| Co-funding | -- | -- | -- |
| Miscellaneous | -- | -- | -- |
| | <u>23,140</u> | <u>11,215</u> | <u>92,580</u> |
| Total Revenues | 23,140 | 11,215 | 92,580 |
| Expenditures: | | | |
| Salaries and wages | -- | -- | -- |
| Fringe benefits | -- | -- | -- |
| Assistance to individuals | 40,229 | 9,124 | 91,690 |
| Professional fees and contracted services | -- | -- | -- |
| Travel | -- | -- | -- |
| Meetings and workshops | -- | -- | -- |
| Occupancy | -- | -- | -- |
| Utilities and telephone | -- | -- | -- |
| Supplies and materials | -- | -- | -- |
| Equipment | -- | -- | -- |
| Printing, publications and postage | -- | -- | -- |
| Insurance | -- | 2,091 | -- |
| Miscellaneous | -- | -- | -- |
| Co-Funding | -- | -- | -- |
| In-Kind: | | | |
| Labor | -- | -- | -- |
| Materials and other | -- | -- | -- |
| | <u>40,229</u> | <u>11,215</u> | <u>91,690</u> |
| Total Expenditures Before Allocation of Indirect Costs | 40,229 | 11,215 | 91,690 |
| Allocation of Indirect Costs | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Expenditures | <u>40,229</u> | <u>11,215</u> | <u>91,690</u> |
| Change in Net Assets | (17,089) | -- | 890 |
| Net Assets (Liabilities) at Beginning of Year | <u>17,089</u> | <u>--</u> | <u>(890)</u> |
| Net Assets (Liabilities) at End of Year | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

See accompanying independent auditor's report.

| <u>Department of Energy 3/31/2005</u> | <u>Utility Company 12/31/2003</u> | <u>Utility Company 12/31/2004</u> | <u>Other</u> | <u>Total</u> |
|---|---|---|------------------|------------------|
| \$ 86,641 | \$ 89,560 | \$ 91,981 | \$ -- | \$ 1,929,625 |
| -- | -- | -- | -- | 2,088,254 |
| -- | -- | -- | -- | 539,894 |
| -- | -- | -- | -- | 403,775 |
| -- | -- | -- | -- | 136,283 |
| -- | -- | -- | 5,241 | 194,238 |
| -- | -- | -- | -- | 504,501 |
| -- | -- | -- | 3,781 | 143,846 |
| -- | -- | -- | 455 | 179,138 |
| -- | -- | -- | 273,349 | 565,628 |
| <u>86,641</u> | <u>89,560</u> | <u>91,981</u> | <u>282,826</u> | <u>6,685,182</u> |
| -- | -- | -- | 78,994 | 1,922,211 |
| -- | -- | -- | 14,971 | 459,727 |
| 86,641 | 29,501 | 91,981 | 164,554 | 2,248,903 |
| -- | -- | -- | 4,369 | 241,780 |
| -- | -- | -- | 907 | 82,779 |
| -- | -- | -- | -- | 35,392 |
| -- | -- | -- | 3,172 | 87,745 |
| -- | -- | -- | 5,245 | 123,489 |
| -- | -- | -- | 1,517 | 236,962 |
| -- | -- | -- | 3,723 | 43,317 |
| -- | -- | -- | 2,239 | 48,769 |
| -- | -- | -- | 899 | 17,809 |
| -- | -- | -- | 41,087 | 107,523 |
| -- | -- | -- | -- | 179,138 |
| -- | -- | -- | -- | 248,137 |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>256,364</u> |
| 86,641 | 29,501 | 91,981 | 321,677 | 6,340,045 |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>10,087</u> | <u>292,132</u> |
| <u>86,641</u> | <u>29,501</u> | <u>91,981</u> | <u>331,764</u> | <u>6,632,177</u> |
| -- | 60,059 | -- | (48,938) | 53,005 |
| <u>--</u> | <u>(60,059)</u> | <u>--</u> | <u>48,528</u> | <u>(21,767)</u> |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ (410)</u> | <u>\$ 31,238</u> |

COMMUNITY OPPORTUNITIES, INC.
Schedule of Expenditures of Federal Awards*
Year Ended September 30, 2004

| Federal Grantor/Pass-through Grantor/Program Title | CFDA Number | Grant or Number |
|---|----------------|--------------------|
| U.S. Department of Health and Human Services | | |
| Direct Program | | |
| Head Start Program | 93.600 | 07CH 6107(37) |
| Head Start Program | 93.600 | 07CH 6107(38) |
| Early Head Start | 93.600 | 07CH 6107(37) |
| Early Head Start | 93.600 | 07CH 6107(38) |
| <i>Subtotal Direct Program</i> | | |
| Indirect Programs | | |
| Iowa Department of Human Rights | | |
| Community Services Block Grant | 93.569 | CSBG 03-01CB |
| Community Services Block Grant | 93.569 | CSBG 04-01CB |
| Low-Income Home Energy Assistance Program | 93.568 | LIHEAP-04-01-B |
| HEAP Weatherization | N/A | HEAP 03-01B |
| HEAP Weatherization | N/A | HEAP 04-01B |
| Iowa Department of Public Health | | |
| Maternal Health | 93.994 | 5884 A033 |
| Child Health | 93.994 | 5884 A033 |
| Dental Health | 93.994 | 5884 A033 |
| Family Planning | 93.217 | 5884 A033 |
| I-4 Project (Immunization) | 93.268 | 5883 I438 |
| I-4 Project (Immunization) | 93.268 | 5883 I438 |
| Abstinence Only Education | 93.235 | 5884 AB44 |
| <i>Subtotal Indirect Programs</i> | | |
| <i>Total U.S. Department of Health and Human Services</i> | | |
| U.S. Department of Energy | | |
| Indirect Programs | | |
| Iowa Department of Human Rights | | |
| Weatherization Assistance | 81.042 | DOE 03-01 B |
| Weatherization Assistance | 81.042 | DOE 04-01 B |
| <i>Total U.S. Department of Energy</i> | | |
| U.S. Department of Agriculture | | |
| Indirect Programs | | |
| Iowa Department of Public Health | | |
| Special Supplemental Food Program for Women, Infants and Children | 10.557 | 5884 A033 |
| Iowa Department of Education | | |
| Child and Adult Care Food Program (Day Care Homes) | 10.558 | 14-8015 |
| Child and Adult Care Food Program (Head Start) | 10.558 | 14-8010 |
| <i>Total U.S. Department of Agriculture</i> | | |
| U.S. Department of Housing and Urban Development | | |
| Indirect Program | | |
| Iowa Department of Economic Development | | |
| Home Investment Partnership Program | 14.239 | 01-HM-213-64 |

Total Expenditures of Federal Awards

* See Notes to Financial Statements for Basis of Presentation.

See accompanying independent auditor's report.

| <u>Period of Grant</u> | <u>Federal Expenditures</u> |
|------------------------|---------------------------------|
| 12/01/02 - 11/30/03 | \$ 377,818 |
| 12/01/03 - 11/30/04 | 1,223,043 |
| 12/01/02 - 11/30/03 | 116,825 |
| 12/01/03 - 11/30/04 | <u>365,872</u> |
| | 2,083,558 |
| 10/01/02 - 09/30/03 | 61,572 |
| 10/01/03 - 09/30/04 | 225,646 |
| 10/01/03 - 09/30/04 | 1,262,991 |
| 04/01/03 - 03/31/04 | 40,229 |
| 04/01/04 - 03/31/05 | 11,215 |
| 10/01/03 - 09/30/04 | 37,027 |
| 10/01/03 - 09/30/04 | 73,958 |
| 10/01/03 - 09/30/04 | 8,825 |
| 10/01/03 - 09/30/04 | 54,271 |
| 02/10/03 - 12/31/03 | 8,013 |
| 01/01/04 - 12/31/04 | 8,250 |
| 10/01/03 - 09/30/04 | <u>9,898</u> |
| | <u>1,801,895</u> |
| | <u>3,885,453</u> |
| 04/01/03 - 03/31/04 | 91,690 |
| 04/01/04 - 03/31/05 | <u>86,641</u> |
| | <u>178,331</u> |
| 10/01/03 - 09/30/04 | 270,194 |
| 10/01/03 - 09/30/04 | 305,992 |
| 10/01/03 - 09/30/04 | <u>97,783</u> |
| | <u>673,969</u> |
| 03/10/00 - 03/31/04 | <u>136,283</u> |
| | <u>\$ 4,874,036</u> |

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Community Services Block Grant
 Year Ended September 30, 2004

| | <u>Budget</u> | <u>Actual</u> | <u>(Over) Under Budget</u> |
|-------------------------------------|-------------------|-------------------|--------------------------------|
| <u>Contract Number CSBG 03-01CB</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 45,871 | \$ 45,871 | \$ -- |
| Program Expenditures: | | | |
| Personnel | \$ 22,440 | \$ 12,236 | \$ 10,204 |
| Travel | 1,001 | 1,139 | (138) |
| Space Costs | 2,199 | 752 | 1,447 |
| Equipment | 1,806 | 559 | 1,247 |
| Consultants | 1,667 | -- | 1,667 |
| Co-Funded Programs | 21,222 | 34,564 | (13,342) |
| Other Costs | 8,237 | 10,781 | (2,544) |
| Indirect Costs | <u>3,000</u> | <u>1,541</u> | <u>1,459</u> |
| Total Expenditures | <u>\$ 61,572</u> | <u>\$ 61,572</u> | <u>\$ --</u> |
| <u>Contract Number CSBG 04-01CB</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 225,646 | \$ 225,646 | \$ -- |
| Program Expenditures: | | | |
| Personnel | \$ 24,283 | \$ 26,509 | \$(2,226) |
| Travel | 2,750 | 2,418 | 332 |
| Space Costs | 4,470 | 4,639 | (169) |
| Equipment | 7,000 | 3,745 | 3,255 |
| Consultants | 21,000 | 21,000 | -- |
| Co-Funded Programs | 142,819 | 144,574 | (1,755) |
| Other Costs | 20,034 | 19,612 | 422 |
| Indirect Costs | <u>3,290</u> | <u>3,149</u> | <u>141</u> |
| Total Expenditures | <u>\$ 225,646</u> | <u>\$ 225,646</u> | <u>\$ --</u> |

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Low-Income Home Energy Assistance Program
 Year Ended September 30, 2004

| | Budget | Actual | (Over) Under Budget |
|--------------------------------------|--------------|--------------|------------------------|
| <u>Contract Number LIHEAP-04-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 1,284,203 | \$ 1,262,991 | \$ 21,212 |
| Program Expenditures: | | | |
| Administration Costs | \$ 102,999 | \$ 102,999 | \$ -- |
| Regular Assistance | 910,865 | 910,668 | 197 |
| Summer Deliverable Fuel Program | 179,200 | 179,200 | -- |
| Energy Crisis Intervention Payments | 62,490 | 41,475 | 21,015 |
| Client Services | 28,649 | 28,649 | -- |
| Total Expenditures | \$ 1,284,203 | \$ 1,262,991 | \$ 21,212 |

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2004

| | <u>Budget</u> | <u>Actual</u> | <u>(Over) Under Budget</u> |
|------------------------------------|-------------------|------------------|--------------------------------|
| <u>Contract Number HEAP 03-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 198,432 | \$ 23,140 | \$ 175,292 |
| | | | |
| Program Expenditures: | | | |
| Administration Costs | \$ 11,008 | \$ -- | \$ 11,008 |
| Weatherization Materials | 21,137 | 5,094 | 16,043 |
| Support Costs | 56,136 | 11,431 | 44,705 |
| Labor | 22,015 | 8,115 | 13,900 |
| Health and Safety | 78,773 | 15,589 | 63,184 |
| Equipment and Training | <u>26,452</u> | <u>--</u> | <u>26,452</u> |
| Total Expenditures | <u>\$ 215,521</u> | <u>\$ 40,229</u> | <u>\$ 175,292</u> |
| | | | |
| <u>Contract Number HEAP 04-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 276,860 | \$ 11,215 | \$ 265,645 |
| | | | |
| Program Expenditures: | | | |
| Administration Costs | \$ 12,568 | \$ -- | \$ 12,568 |
| Weatherization Materials | 58,626 | 839 | 57,787 |
| Support Costs | 56,217 | 2,949 | 53,268 |
| Labor | 58,626 | 107 | 58,519 |
| Health and Safety | 43,367 | 5,229 | 38,138 |
| Equipment and Training | 36,452 | -- | 36,452 |
| Pollution Occurrence Insurance | <u>11,004</u> | <u>2,091</u> | <u>8,913</u> |
| Total Expenditures | <u>\$ 276,860</u> | <u>\$ 11,215</u> | <u>\$ 265,645</u> |

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2004

| | <u>Budget</u> | <u>Actual</u> | <u>(Over) Under Budget</u> |
|-----------------------------------|-------------------|------------------|--------------------------------|
| <u>Contract Number DOE 03-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 92,580 | \$ 92,580 | \$ -- |
| Program Expenditures: | | | |
| Administration Costs | \$ 10,313 | \$ 3,983 | \$ 6,330 |
| Weatherization Materials | 38,062 | 28,737 | 9,325 |
| Support Costs | 2,107 | 5,296 | (3,189) |
| Labor | 31,875 | 38,998 | (7,123) |
| Health and Safety | 9,333 | 14,676 | (5,343) |
| Total Expenditures | <u>\$ 91,690</u> | <u>\$ 91,690</u> | <u>\$ --</u> |
| <u>Contract Number DOE 04-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 190,670 | \$ 86,641 | \$ 104,029 |
| Program Expenditures: | | | |
| Administration Costs | \$ 20,116 | \$ 8,657 | \$ 11,459 |
| Weatherization Materials | 46,112 | 11,839 | 34,273 |
| Support Costs | 44,218 | 31,043 | 13,175 |
| Labor | 46,113 | 22,181 | 23,932 |
| Health and Safety | 34,111 | 12,921 | 21,190 |
| Total Expenditures | <u>\$ 190,670</u> | <u>\$ 86,641</u> | <u>\$ 104,029</u> |

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2004

| | <u>Budget</u> | <u>Actual</u> | <u>(Over) Under Budget</u> |
|-----------------------------------|------------------|------------------|--------------------------------|
| <u>Contract Number PNG 03-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 4,020 | \$ 4,020 | \$ -- |
| Program Expenditures: | | | |
| Administrative Costs | \$ 200 | \$ -- | \$ 200 |
| Weatherization Materials | 651 | 146 | 505 |
| Labor | (530) | 175 | (705) |
| Total Expenditures | <u>\$ 321</u> | <u>\$ 321</u> | <u>\$ --</u> |
| <u>Contract Number IPL 03-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 48,240 | \$ 48,240 | \$ -- |
| Program Expenditures: | | | |
| Administrative Costs | \$ 3,015 | \$ -- | \$ 3,015 |
| Weatherization Materials | 11,733 | 12,942 | (1,209) |
| Support Costs | 5,914 | 3,757 | 2,157 |
| Labor | 8,518 | 12,481 | (3,963) |
| Total Expenditures | <u>\$ 29,180</u> | <u>\$ 29,180</u> | <u>\$ --</u> |
| <u>Contract Number MEC 03-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 37,300 | \$ 37,300 | \$ -- |
| Program Expenditures: | | | |
| Administrative Costs | \$ 1,866 | \$ -- | \$ 1,866 |
| Weatherization Materials | (1,394) | -- | (1,394) |
| Supports Costs | (125) | -- | (125) |
| Labor | (347) | -- | (347) |
| Total Expenditures | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2004

| | <u>Budget</u> | <u>Actual</u> | <u>(Over) Under Budget</u> |
|-----------------------------------|------------------|------------------|--------------------------------|
| <u>Contract Number AQU 04-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 35,389 | \$ 17,647 | \$ 17,742 |
| Program Expenditures: | | | |
| Administrative Costs | \$ 1,305 | \$ 206 | \$ 1,099 |
| Support Costs | 2,650 | -- | 2,650 |
| Labor | 15,717 | 10,712 | 5,005 |
| Weatherization Materials | <u>15,717</u> | <u>6,729</u> | <u>8,988</u> |
| Total Expenditures | <u>\$ 35,389</u> | <u>\$ 17,647</u> | <u>\$ 17,742</u> |
| <u>Contract Number IPL 04-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 60,680 | \$ 28,940 | \$ 31,740 |
| Program Expenditures: | | | |
| Administrative Costs | \$ 3,313 | \$ -- | \$ 3,313 |
| Support Costs | 6,725 | 3,407 | 3,318 |
| Labor | 25,321 | 11,027 | 14,294 |
| Weatherization Materials | <u>25,321</u> | <u>14,506</u> | <u>10,815</u> |
| Total Expenditures | <u>\$ 60,680</u> | <u>\$ 28,940</u> | <u>\$ 31,740</u> |
| <u>Contract Number MEC 04-01B</u> | | | |
| Program Revenues: | | | |
| Iowa Department of Human Rights | \$ 70,000 | \$ 45,394 | \$ 24,606 |
| Program Expenditures: | | | |
| Administrative Costs | \$ 3,500 | \$ -- | \$ 3,500 |
| Supports Costs | 7,000 | 5,368 | 1,632 |
| Labor | 29,750 | 18,853 | 10,897 |
| Weatherization Materials | <u>29,750</u> | <u>21,173</u> | <u>8,577</u> |
| Total Expenditures | <u>\$ 70,000</u> | <u>\$ 45,394</u> | <u>\$ 24,606</u> |

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures
 Administrative Fund
 Year Ended September 30, 2004

| | <u>Miscellaneous</u> | <u>Indirect Cost Pool</u> | <u>Total</u> |
|---|----------------------|-------------------------------|-------------------|
| Revenues: | | | |
| Public Support and Contributions | \$ 76 | \$ -- | \$ 76 |
| Interest Earned | 406 | -- | 406 |
| Miscellaneous | <u>15,352</u> | <u>--</u> | <u>15,352</u> |
| Total Revenues | <u>\$ 15,834</u> | <u>\$ --</u> | <u>\$ 15,834</u> |
| Expenditures: | | | |
| Salaries and Wages | \$ -- | \$ 190,649 | \$ 190,649 |
| Fringe Benefits | -- | 39,044 | 39,044 |
| Assistance to Individuals | 7,604 | -- | 7,604 |
| Professional Fees and Contracted Services | -- | 29,995 | 29,995 |
| Travel | 241 | 3,953 | 4,194 |
| Occupancy | -- | 7,533 | 7,533 |
| Utilities and Telephone | (674) | 5,445 | 4,771 |
| Supplies and Materials | -- | 8,901 | 8,901 |
| Equipment | -- | 1,634 | 1,634 |
| Printing, Publications and Postage | 10 | 2,705 | 2,715 |
| Insurance | 3,929 | 1,281 | 5,210 |
| Miscellaneous | <u>1,474</u> | <u>992</u> | <u>2,466</u> |
| Total Expenditures Before Allocation of Indirect Costs | 12,584 | 292,132 | 304,716 |
| Allocation of Indirect Costs | <u>--</u> | <u>(292,132)</u> | <u>(292,132)</u> |
| Total Expenditures | <u>\$ 12,584</u> | <u>\$ --</u> | <u>\$ 12,584</u> |

See accompanying independent auditor's report.

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

ROGER A. BELL
MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors of
Community Opportunities, Inc.
Carroll, Iowa

We have audited the financial statements of Community Opportunities, Inc. as of and for the year ended September 30, 2004, and have issued our report thereon dated December 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Community Opportunities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Any comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

To the Board of Directors of
Community Opportunities, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Opportunities, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Community Opportunities, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings and Questioned Costs, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of Community Opportunities, Inc. and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Stonewold, Bell, Kylvan . Co. P.C.

Atlantic, Iowa
December 21, 2004

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

ROGER A. BELL
MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
Community Opportunities, Inc.
Carroll, Iowa

Compliance

We have audited the compliance of Community Opportunities, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. Community Opportunities, Inc.'s major federal programs are identified in the summary of auditor's results section in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Community Opportunities, Inc.'s management. Our responsibility is to express an opinion on Community Opportunities, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Opportunities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Community Opportunities, Inc.'s compliance with those requirements.

In our opinion Community Opportunities, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

To the Board of Directors of
Community Opportunities, Inc.

Internal Control Over Compliance

The management of Community Opportunities, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Community Opportunities, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Community Opportunities, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item III-A-04 to be a material weakness.

This report, a public record by law, is intended solely for the information and use of Community Opportunities, Inc. and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Diamond, Bell, Kuhlman & Co. P.C.

Atlantic, Iowa
December 21, 2004

COMMUNITY OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.600 - Head Start Program
 - CFDA Number 93.568 - Low-Income Home Energy Assistance Program
 - CFDA Number 10.558 - Child and Adult Care Food Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Community Opportunities, Inc. did not qualify as a low-risk auditee.

COMMUNITY OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended September 30, 2004.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Agency.

Recommendation: We recognize that it may not be economically feasible for the Agency to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response and Corrective Action Planned: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Agency to employ additional personnel for this reason. The Board will continue on an ongoing basis to act as an oversight group.

Conclusion: Response accepted.

COMMUNITY OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended September 30, 2004.

REPORTABLE CONDITIONS:

CFDA Number 93.600 - Head Start and Early Head Start Programs

Agency Numbers: 07CH 6107(37) and 07CH 6107(38)

Federal Award Years: 2003 and 2004

U.S. Department of Health and Human Services

CFDA Number 93.568 - Low-Income Home Energy Assistance Program

Pass-through Numbers: LIHEAP-04-01-B

Federal Award Year: 2004

U.S. Department of Health and Human Services

Passed through the Iowa Department of Human Rights

CFDA Number 10.558 - Child and Adult Care Food Program

Pass-through Numbers: 14-8015 and 14-8010

Federal Award Year: 2004

U.S. Department of Agriculture

Passed through the Iowa Department of Education

III-A-04 Segregation of Duties over Federal Revenues and Expenditures - The Agency did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding II-A-04.

* * *