

OPERATION THRESHOLD

Waterloo, Iowa

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
(OMB Circular A-133, Single Audit Report)**

September 30, 2005

(With Independent Auditor's Reports Thereon)

OPERATION THRESHOLD

Waterloo, Iowa

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OPERATION THRESHOLD

Board of Directors and Officers**Officers**

Brian Quirk
Barry Haskins
Mary Jane Button-Harrison
Dr. Michael Blackwell

Chairperson
Vice-Chairperson
Secretary
Treasurer

Board Members

Leo Donnelly
Rabbi Sol Serber
Barbara Prather
Joyce Hunter
Sister Kathleen Grace
Julia Eckerman

Barbara Smith
Bryan Palmer
Patricia Gorman
Margaret Nichol
Ranee Beyer

Management

Barbara A. Grant
Lori Miller
Sandra Sauer
Leian Kammeyer
Craig Boche
Wayne Taylor

Executive Director
Resource Development Director
WIC Director
Fiscal Director
Human Resources Director
Housing Director

MERIWETHER, WILSON AND COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

2

CRAIG A. DITSWORTH, CPA
WILLIAM H. BOORN, CPA
DENNIS L. MUELLER, CPA
DENNIS J. WAGNER, CPA
STEPHEN L. KOEHN, CPA
SUSAN K. CHANTLAND, CPA
C. MARK LINCOLN, CPA
JOHN E. ORTHAUS, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Threshold
Waterloo, Iowa

We have audited the accompanying Statement of Financial Position of Operation Threshold (a nonprofit organization) as of September 30, 2005, and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2004 financial statements and, in our report dated November 11, 2004, we expressed an unqualified opinion on those financial statements.

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 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 Operation Threshold as of September 30, 2005, and the changes in its net assets and its 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 report dated November 16, 2005, on our consideration of Operation Threshold's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Operation Threshold taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the basic financial statements. The additional accompanying supplementary statements and schedules which follow are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Meriwether, Wilson and Company, P.L.C.
MERIWETHER, WILSON AND COMPANY, P.L.C.
Certified Public Accountants

November 16, 2005
West Des Moines, Iowa

OPERATION THRESHOLD
Statement of Financial Position
September 30, 2005
(With Comparative Totals for 2004)

Assets

	Total All Funds	
	2005	2004
Current Assets		
Cash and Cash Equivalents	\$ 745,925	641,305
Receivables		
Awards and Contracts	353,760	543,560
Prepaid Expenses	37,142	77,866
Weatherization Inventory	47,524	23,640
Total Current Assets	1,184,351	1,286,371
Noncurrent Assets		
Real Estate Contract Receivable	14,508	14,946
Restricted Cash	77,382	75,891
Total Noncurrent Assets	91,890	90,837
Property and Equipment		
Land, Buildings, and Improvements	1,648,517	1,639,517
Furniture and Equipment	520,114	510,345
Construction in Progress - Housing Programs	841,237	647,667
	3,009,868	2,797,529
Accumulated Depreciation	(1,063,763)	(971,019)
Net Property and Equipment	1,946,105	1,826,510
 Total Assets	 \$ 3,222,346	 3,203,718
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 45,572	18,549
Accrued Expenses	107,279	149,197
Mortgages Payable - Current Portion	43,497	57,907
Rent Deposits and Escrow	20,481	19,489
Due to Funding Sources	66,110	67,938
Deferred Revenue	29,762	18,123
Total Current Liabilities	312,701	331,203
Deferred Revenue - Noncurrent	14,508	14,946
Long-Term Debt		
Mortgages Payable - Net of Current Portion	443,842	487,339
Total Liabilities	771,051	833,488
Net Assets		
Temporarily Restricted	1,103,157	1,191,201
Unrestricted		
Designated for Program Activities	247,834	93,989
Invested in Property and Equipment	661,113	691,172
Undesignated	439,191	393,868
Total Net Assets	2,451,295	2,370,230
 Total Liabilities and Net Assets	 \$ 3,222,346	 3,203,718

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

OPERATION THRESHOLD

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2005
(With Comparative Totals for 2004)

	Unrestricted	Temporarily Restricted	Total All Funds	
			2005	2004
Support and Revenue				
Government Awards and Contract Revenue	\$ 4,634,301	--	4,634,301	4,529,017
Rental Income	256,866	--	256,866	254,224
Contributions and Public Support	177,060	--	177,060	225,532
Interest Income	26,886	--	26,886	10,192
Proceeds from Sales of Properties	--	218,152	218,152	268,332
Other Revenue	5,777	--	5,777	4,852
Food Vouchers for Distribution	2,992,185	--	2,992,185	2,846,927
	<u>8,093,075</u>	<u>218,152</u>	<u>8,311,227</u>	<u>8,139,076</u>
Net Assets Released from Restrictions - Satisfaction of Usage Restrictions	499,766	(499,766)	--	--
Total Support and Revenue	<u>8,592,841</u>	<u>(281,614)</u>	<u>8,311,227</u>	<u>8,139,076</u>
Functional Expenses				
Program Services				
Women, Infants, and Children	3,694,330	--	3,694,330	3,487,702
Low Income Home Energy Assistance Program	1,978,347	--	1,978,347	1,882,888
Weatherization Assistance Programs	852,182	--	852,182	730,770
HOME Investment Partnership Programs	129,752	--	129,752	543,139
Rental Housing Programs	239,836	--	239,836	399,232
Local Housing Assistance Programs	555,996	--	555,996	251,764
Outreach Offices	298,446	--	298,446	308,370
Family Development and Self-Sufficiency	216,777	--	216,777	213,515
FHLB Affordable Housing	106,209	--	106,209	--
Other Programs	239,031	--	239,031	229,379
Total Program Services	<u>8,310,906</u>	<u>--</u>	<u>8,310,906</u>	<u>8,046,759</u>
Administrative Support Services				
Management and General	122,595	--	122,595	191,709
Total Functional Expenses	<u>8,433,501</u>	<u>--</u>	<u>8,433,501</u>	<u>8,238,468</u>
Change in Net Assets Before Net Additions of Capital Items	159,340	(281,614)	(122,274)	(99,392)
Net Additions of Capital Items Acquired With Grant Funds	<u>9,769</u>	<u>193,570</u>	<u>203,339</u>	<u>30,672</u>
Change in Net Assets	169,109	(88,044)	81,065	(68,720)
Net Assets - Beginning of Year	<u>1,179,029</u>	<u>1,191,201</u>	<u>2,370,230</u>	<u>2,438,950</u>
Net Assets - End of Year	<u>\$ 1,348,138</u>	<u>1,103,157</u>	<u>2,451,295</u>	<u>2,370,230</u>

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

OPERATION THRESHOLD

Statement of Cash Flows

Year Ended September 30, 2005
(With Comparative Totals for 2004)

	Total All Funds	
	2005	2004
Cash Flows from Operating Activities		
Change in Net Assets	\$ 81,065	(68,720)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	92,744	94,579
Net Change in Construction in Progress - Housing Programs	(193,570)	3,891
(Increase) Decrease in		
Receivables	189,800	(86,716)
Prepaid Expenses	40,724	(7,761)
Weatherization Inventory	(23,884)	12,842
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	(14,895)	(41,569)
Rent Deposits and Escrow	992	(26)
Due to Funding Sources	(1,828)	8,641
Deferred Revenue	11,639	(4,996)
Net Cash Flows from Operating Activities	<u>182,787</u>	<u>(89,835)</u>
Cash Flows from Investing Activities		
Cash Paid for Property and Equipment	(18,769)	(34,565)
Net Cash Flows from Investing Activities	<u>(18,769)</u>	<u>(34,565)</u>
Cash Flows from Financing Activities		
Increase in Restricted Cash Reserves	(1,491)	(115)
Borrowings on Mortgages Payable	--	19,700
Payments on Mortgages Payable	(57,907)	(37,929)
Net Cash Flows from Financing Activities	<u>(59,398)</u>	<u>(18,344)</u>
Net Change in Cash and Cash Equivalents	104,620	(142,744)
Cash and Cash Equivalents - Beginning of Year	<u>641,305</u>	<u>784,049</u>
Cash and Cash Equivalents - End of Year	<u>\$745,925</u>	<u>641,305</u>
Supplemental Disclosure of Cash Flow Data		
Cash Paid During the Year for Interest	<u>\$ 20,607</u>	<u>22,680</u>

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

OPERATION THRESHOLD

Notes to Financial Statements

September 30, 2005

1. Nature of Activities and Significant Accounting Policies

Reporting Entity

Operation Threshold (the Organization) is a private nonprofit corporation organized and incorporated in 1981 under Chapter 504A of the Code of Iowa. The Organization is a community action agency as described in the Code, and its purpose is to sponsor programs and coordinate efforts and activities with existing agencies to identify, mobilize, and utilize resources, public and private, in an attack on poverty. Operation Threshold principally has operations in Waterloo, Iowa, and surrounding areas.

Operation Threshold administers programs funded by federal, state, and local agencies. These programs are generally operated for the benefit of eligible participants under the guidelines of the respective funding agencies.

This report includes the financial statements of all programs administered by the Organization.

Basis of Accounting

The accompanying financial statements have been prepared in conformity with the accounting principles appropriate for nonprofit associations. The following describes the significant accounting policies.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Differences in the classification of net assets are determined based on the nature or existence of donor restrictions.

Temporarily restricted net assets are amounts whose use by the Organization has been limited by donors or grantors to a specific time period or purpose. When donor restrictions are satisfied, temporarily restricted net assets are classified as unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. If a restriction on a contribution is fulfilled in the same time period in which it is received, the Organization reports the support as unrestricted.

In accordance with applicable grant agreements, proceeds from the sale of certain properties acquired through grant funding are restricted for the construction or purchase of additional properties to be used for eligible low-income families and are reflected as temporarily restricted net assets. Net assets that result from recording construction in progress where construction costs have been charged to grants as eligible expenses or have been paid by re-use funds generated by the grant activities are also considered temporarily restricted for additional housing.

Permanently restricted net assets are required by the donor to be maintained in perpetuity by the Organization. Operation Threshold has no permanently restricted net assets as of September 30, 2005.

Revenue Recognition and Receivables

Revenues from grant awards and contract reimbursements are considered unrestricted because the revenue is earned as allowable program expenses are incurred. Program income and other amounts generated by grant awards are generally restricted for future use in the program or activity.

Receivables are comprised primarily of grant awards or contract reimbursements. Receivables are recorded when program expenses exceed reimbursements to date. Award or contract funds received in excess of program expenses are recorded as deferred revenue. All receivable amounts are considered collectible and accordingly, no provision for bad debts has been recorded.

Contributed Services

The Organization receives a significant amount of contributed services from unpaid volunteers assisting in the Organization's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost of major replacements, betterments, and acquisitions is capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated useful lives are as follows:

Buildings and Improvements	10 to 30 Years
Furniture and Equipment	5 to 7 Years

The Organization's property and equipment were acquired primarily under various grants with federal, state, or local governmental entities. Title to such property and equipment may revert back to these funding sources in the event these programs terminate or the use of the property changes from its original purpose.

Under generally accepted accounting principles, long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. No impairment losses were recorded by the Organization in 2005.

Construction in Progress

Operation Threshold builds and rehabilitates houses and other properties as part of its ongoing housing programs. Construction and rehabilitation costs are charged to the applicable grant or funding source as incurred, and reflected as expenses in the financial statements. If the Organization holds title to the property during the construction phase, the ownership interest is reflected as Construction in Progress. Construction in progress acquisitions are credited directly to fund balance as an other change in fund balance. When these properties are sold to qualifying low-income individuals, construction in progress assets are removed from the statements by a direct charge to fund balance.

Cost Allocations, Management and General Expenses, and Fundraising Expenses

The Organization utilizes cost allocation pools to distribute indirect costs to the programs benefited. Indirect pooled costs are allocated to the programs each month on a consistent basis as described in its cost allocation plan. The cost pools are charged for the expenses incurred and the pools are reimbursed by the programs on a monthly basis. Inter-fund revenue and expense amounts arising from cost pool allocations are eliminated in the Organization's financial statements.

Certain management and general expenses are distributed to the programs through the cost pools and are properly charged to various funders as program expenses. There were no fundraising expenses for the year ended September 30, 2005.

Inventories

Inventories are valued at cost, which approximates market. Inventories consist of work-in-process on various weatherization projects. Project costs will be billed to the appropriate grantors when complete.

Advertising

Advertising costs totaling \$8,454 for the year ended September 30, 2005, were expensed as incurred.

Income Taxes

Operation Threshold is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 504A of the Code of Iowa. Operation Threshold has been determined not to be a "private foundation" within the meaning of Section 509A of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, prepaid expenses, accounts payable, accrued expenses, rent deposits and escrow, amounts due to funding sources, and deferred revenue approximate their fair values due to the short-term maturities of these financial instruments.

The Organization has secured below-market financing for the construction and rehabilitation of certain low-income housing properties. No adjustment to the note balances and corresponding properties has been made to approximate fair values.

Prior Year Summarized Information and Reclassifications

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2004, from which the summarized information was derived. Certain reclassifications to the 2004 comparative totals have been made to conform to the 2005 presentation.

2. Principal Programs

The following is a description of the principal programs administered by the Organization:

Three principal programs are funded by the U.S. Department of Health and Human Services and passed through the Iowa Department of Human Rights. These programs are the Community Services Block Grant (CSBG), Low Income Home Energy Assistance Program (LIHEAP), and Family Development and Self-Sufficiency (FaDSS). CSBG provides funding for the administration of human service programs or provides direct support to individual programs which require co-funding to complete their activities. LIHEAP primarily provides assistance to low income households in paying their heating bills. The FaDSS program provides family development and self-sufficiency counseling assistance to low income households.

Weatherization Assistance Programs are funded through grants from the U.S. Department of Energy and the U.S. Department of Health and Human Services through the Iowa Department of Human Rights. Area utility companies also provide funding. These programs provide resources to increase the energy efficiency of homes of qualifying low income households.

Special Supplemental Food Program for Women, Infants, and Children (WIC) is funded by the U.S. Department of Agriculture through the Iowa Department of Public Health under an annual grant. The program provides nutritional assistance to low income women who are pregnant or who have an infant child and to children under the age of five years.

The HOME Investment Partnerships Program is funded by the U.S. Department of Housing and Urban Development and passed through the City of Waterloo. This program provides financial assistance to construct and rehabilitate single and multi-family housing and to provide homebuyer outreach and selection of eligible families to purchase and live in the properties.

Housing Rental Programs - The Organization manages single and multi-family housing units for use by eligible families. Ongoing funding for these programs is principally provided by rental income.

Outreach Offices - The Organization maintains outreach offices in each of the areas served. Programs administered are charged for non-cofunded expenses of the outreach offices based on the number of clients served by the offices or the number of hours spent for the services.

A summary of other programs administered by the Organization not specifically set forth on the Statement of Activities is as follows:

<u>Program Title</u>	<u>Expenses</u>
Community Services Block Grant (net of co-funding provided)	\$ 59,387
Storks Nest	39,580
Project Care/Share	26,076
Emergency Food and Shelter Program (FEMA)	24,519
Housing and Fair Lending	21,256
Emergency Shelter Grants Program	20,229
Family Nest	16,789
Emergency Funds	13,515
Volunteer Programs	11,430
Grundy County Food Pantry	4,772
Other Programs and Local Activities	1,478
	<u>\$ 239,031</u>

3. **Support from Governmental Agencies**

The Organization received approximately 92% of its total support and revenue from federal, state, and local governmental agencies. Changes in the level of government funding could have a major effect on the Organization's programs and activities.

4. **Concentration of Credit Risk**

The Company maintains checking and savings accounts at a local bank. Accounts at this institution are insured by the FDIC up to \$100,000. At September 30, 2005, the Company had \$742,712 of cash deposited in excess of the insured limits.

5. **Cash and Restricted Cash**

A summary of cash and restricted cash balances at the year-end is as follows:

	<u>Operating Accounts</u>	<u>Restricted Accounts</u>
Petty Cash	\$ 400	--
Money Market Checking and Savings	745,525	--
Restricted Cash Deposits		
Sinking Fund Reserve for Retirement of Bonds	--	56,901
Tenant Security Deposits and Escrow	--	20,481
	<u>\$ 745,925</u>	<u>77,382</u>

6. **Awards and Contracts Receivables**

Receivables from grantor agencies resulting from program activities in effect at the year-end date are summarized as follows:

<u>Funding Source</u>	<u>Program Activity</u>	<u>Amount</u>
Iowa Department of Public Health	WIC	\$ 141,769
Iowa Department of Human Rights	HEAP	30,823
Iowa Department of Human Services	Volunteer Coordinator	1,027
Federal Home Loan Bank	Affordable Housing Program	106,209
City of Waterloo	Housing and Fair Lending	21,156
City of Waterloo	ESGP	19,758
Empowerment Programs	Stork's Nest	13,061
Utility Companies	Weatherization Assistance	5,271
Other Sources	Other Programs	14,686
		<u>\$ 353,760</u>

7. **Noncurrent Contract Receivable and Noncurrent Deferred Revenue**

Operation Threshold has renovated a house originally donated to its housing program and sold the house to an eligible low-income family on a fifteen-year contract. The Organization has deferred revenue on the sale of the house until collection is made on the contract.

8. **Property and Equipment**

Property and equipment is summarized as follows:

	Cost	Current Depreciation	Accumulated Depreciation	Undepreciated Cost
Land	\$ 39,740	--	--	39,740
Buildings and Improvements	1,608,777	60,492	607,013	1,001,764
Furniture and Equipment	520,114	32,252	456,750	63,364
Construction in Progress	841,237	--	--	841,237
	<u>\$ 3,009,868</u>	<u>92,744</u>	<u>1,063,763</u>	<u>1,946,105</u>

Construction in progress is comprised of several houses, which will be sold to qualifying persons when complete. Funding for these projects is provided by U.S. Department of Housing and Urban Development through HOME Investment Partnership funds and by the Iowa Department of Economic Development through its Local Housing Assistance Program.

9. **Accrued Expenses**

Accrued expenses are summarized as follows:

Compensated Absences	\$ 51,349
Salaries and Wages	26,844
Payroll Taxes and Withholdings	25,330
Interest	3,756
	<u>\$ 107,279</u>

10. **Due to Funding Sources**

Amounts due to funding sources consist of the following:

Iowa Department of Public Health Advance for WIC Program Expenses	\$ 59,297
Iowa Department of Human Rights Vendor Refunds - LIHEAP	6,813
	<u>\$ 66,110</u>

11. **Long-Term Debt**

In August 1993, the Organization, which is considered a public instrumentality and agency of the state of Iowa, issued multi-family Development Revenue Bonds totaling \$390,000 through the Small Business Loan Program of the Iowa Finance Authority. The bonds are to be repaid through a promissory note which is assigned to Wells Fargo Brokerage. The bonds were used to finance the purchase and rehabilitation of the Canterbury Court Apartments. Remaining payments are due in accelerating annual installments of \$35,000 to \$40,000, plus accrued interest at 6.1%, through June 1, 2008. This note is secured by an interest in the land and building financed, and the note balance at the year-end totals \$110,000.

The Organization has obtained three loans to provide funding for the construction of the Independence Housing Project. The Iowa Housing Corporation has provided a \$245,000 mortgage loan which carries monthly payments of \$1,362 including accrued interest at 4.5%. This note has a balloon payment of unpaid principal and interest due February 1, 2015. The note is secured by a first mortgage interest in the land and building financed, and the note balance at the year-end totals \$231,482.

The Iowa Department of Economic Development has provided a loan totaling \$99,992 under the Home Investment Partnership Program as additional funding for the Independence Project. This loan has a 20 year term and carries interest at 1%. Annual graduated payments began February 28, 2002, with the first five payments against interest only. A balloon payment of remaining principal and interest is due February 28, 2021. This loan is secured by a subordinate mortgage interest in the land and building financed.

The Iowa Finance Authority has provided financing totaling \$52,474 for the Independence Housing Project (Lexington Square). This note carries quarterly payments of \$725 including accrued interest at 1%, with remaining interest and principal amounts due August 2022. This obligation is secured by a third mortgage interest in the land and building financed, and the note balance at the year-end totals \$45,865.

In May, 2004, the Organization borrowed \$19,700 from the Iowa Northland Regional Council of Governments (INRCOG), at no interest, in order to finance the cost of the construction of a speculative home located in Waterloo, Iowa. This note was due on or before November 12, 2004, or upon sale of the house, whichever came first, and the note was secured by a mortgage interest in the property financed. The note balance was paid in the fiscal year ended September 30, 2005.

Following are maturities of all long-term notes through their final due dates:

2006	\$	43,497
2007		43,900
2008		49,316
2009		9,947
2010		10,545
2011 through 2022		330,134
	\$	<u>487,339</u>

Interest expense for the year ended September 30, 2005, totaled \$19,972.

12. Deferred Revenue

Deferred revenue is summarized as follows:

<u>Program</u>	<u>Amount</u>
FaDSS	\$ 15,688
Fannie Mae Anti-Predatory Lending	8,013
IHOEP	3,800
IFA Anti-Predatory Lending	2,261
	<u>\$ 29,762</u>

13. Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows at the year-end date:

<u>Program</u>	
HOME Investment Partnership	
Community Development HOME	
New Re-Use Funds	\$ 452,245
Rehab Funds	205,195
Rehab Re-Use Funds	98,021
New Construction Funds	55,929
Hope 3 HOME	89,575
Local Housing Assistance	242,911
Lexington Square	(40,719)
	<u>\$ 1,103,157</u>

14. Operating Leases

The Organization leases a copier and postage machine under noncancelable operating leases with terms in excess of one year. The Organization also leases facilities and equipment for administrative and program usage under leases running on an annual basis with options to renew. Lease expense for the year ended September 30, 2005, totaled \$36,287.

Minimum future lease payments under noncancelable leases with terms in excess of one year as of the year-end date are as follows:

2006	\$ 9,823
2007	9,823
2008	9,823
2009	9,823
	<u>\$ 39,292</u>

15. **Retirement Plans**

The Organization sponsors a defined contribution tax sheltered annuity plan for all regular employees with at least one year of service. The Organization will match an employee contribution up to 4 1/2% of gross wages. Contributions made during the year by the Organization totaled \$9,433.

The Organization also 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.

Plan members contribute 3.70% of their annual covered salary to IPERS and the Organization contributes 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Organization's contribution to IPERS for the year ended September 30, 2005, was \$71,238, equal to the required contribution for the year.

16. **Net Additions (Disposals) of Capital Items**

Net additions (disposals) of capital items acquired with grant and Organization funds consist of the following:

<u>Program</u>	<u>Description</u>	<u>Amount</u>
C.D. HOME New Re-Use	Acquisitions of Construction in Progress - Cost	\$ 363,070
	Disposals of Construction in Progress - Cost	(93,395)
C.D. HOME Rehab Re-Use	Acquisitions of Construction in Progress - Cost	74,706
	Disposals of Construction in Progress - Cost	(121,135)
Local Housing Assistance	Acquisitions of Construction in Progress - Cost	105,573
	Disposals of Construction in Progress - Cost	(135,249)
Total Net Additions - Temporarily Restricted Funds		<u>193,570</u>
Cost Pools (Unrestricted)	Capital Items Acquired With Grant Funds	<u>9,769</u>
Net Additions of Capital Items Acquired With Grant Funds		<u>\$ 203,339</u>
Ankeny Single Family	Capital Items Acquired With Organization Funds	<u>\$ 9,000</u>

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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 Directors
Operation Threshold
Waterloo, Iowa

We have audited the financial statements of Operation Threshold as of and for the year ended September 30, 2005, and have issued our report thereon dated November 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Operation Threshold'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


MERIWETHER, WILSON AND COMPANY, P.L.C.
Certified Public Accountants

November 16, 2005
West Des Moines, Iowa

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Operation Threshold
Waterloo, Iowa

Compliance

We have audited the compliance of Operation Threshold 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, 2005. Operation Threshold's major federal programs are identified in the Summary of Independent Auditor's Results section 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 Operation Threshold's management. Our responsibility is to express an opinion on Operation Threshold'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; 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 Nonprofit Organizations. Those standards and OMB Circular A-133 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 Operation Threshold'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 of Operation Threshold's compliance with those requirements.

In our opinion, Operation Threshold 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, 2005.

Internal Control over Compliance

The management of Operation Threshold 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 Operation Threshold'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.

Page Two

Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified entities.



MERIWETHER, WILSON AND COMPANY, P.L.C.
Certified Public Accountants

November 16, 2005
West Des Moines, Iowa

OPERATION THRESHOLD

Schedule of Findings and Questioned Costs

Year Ended September 30, 2005

Summary of Auditor's Results

1. We have issued an unqualified opinion in our report on the financial statements of Operation Threshold as of and for the year ended September 30, 2005.
2. The results of our audit disclosed no instances of noncompliance which were considered material to the financial statements and which would be required to be reported in accordance with Government Auditing Standards.
3. We issued an unqualified opinion in our report on compliance for major programs for the year ended September 30, 2005.
4. The results of our audit disclosed no audit findings which we are required to report under OMB Circular A-133.
5. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
6. The major federal awards expended by Operation Threshold for the year ended September 30, 2005, are as follows:

<u>Name of Program</u>	<u>CFDA No.</u>	<u>Expenditures</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 3,686,213
Low-Income Home Energy Assistance Program and Home Energy Assistance Program	93.568	<u>2,332,056</u>
		<u>\$ 6,018,269</u>

Expenditures for the Special Supplemental Nutrition Program for Women, Infants, and Children on this schedule include \$2,992,185 of noncash food vouchers distributed to eligible participants.

7. Operation Threshold does qualify as a low-risk auditee.

Findings Related to the Financial Statements

None

Findings and Questioned Costs Related to Federal Awards

None

OPERATION THRESHOLD
Schedule of Expenditures of Federal Awards
 October 1, 2004 Through September 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA* Number	Grant or Award Number	Expenses
U.S. Department of Health and Human Services			
Passed Through Iowa Department of Human Rights			
Low Income Home Energy Assistance Program	93.568	LIHEAP-05-11-A	\$ 1,978,347
Home Energy Assistance Program	93.568	HEAP 05-11A HEAP 04-11-A	76,686 277,023
Total CFDA # 93.568			<u>2,332,056</u> **
Community Services Block Grant	93.569	CSBG-04-11-CA	469,910
Family Development and Self Sufficiency (53% Federal)	93.558	FaDSS 06-11-FA	29,918
Family Development and Self Sufficiency (53% Federal)		FaDSS 05-11-FA	81,859
Total CFDA # 93.558			<u>111,777</u>
Total U.S. Department of Health and Human Services			<u>\$ 2,913,743</u>
U.S. Department of Housing and Urban Development			
Passed Through the City of Waterloo			
HOME Investment Partnership Program	14.239	Rehab Funds Re-Use Funds Hope 3 Home Funds	\$ 37,094 381,737 352
Passed Through the Iowa Department of Economic Development			
HOME Program Promissory Note Dated 3/10/99	14.239	99-HM-204-731	99,992
Total CFDA #14.239			<u>519,175</u>
Passed Through the City of Waterloo			
Community Development Block Grants			
Waterloo Housing Partnership	14.219	FY 2005	48,303
Home Buyer Education	14.219	FY 2005	7,156
Community Housing Partnership	14.219	FY 2005	7,332
Total CFDA #14.239			<u>62,791</u>
FHAP Partnership Initiative	14.401	FY 2004	21,256
Emergency Shelter Grants Program	14.231	05 ES-001 04 ES-001	19,757 472
Total CFDA #14.231			<u>20,229</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 623,451</u>
U.S. Department of Agriculture			
Passed Through Iowa Department of Public Health			
Special Supplemental Food Program for Women, Infants, and Children			
Cash Expenditures	10.557	5885AO43	\$ 694,028
Noncash - Food Vouchers for Distribution		5885AO43	2,992,185
Total CFDA #10.557 and U.S. Department of Agriculture			<u>\$ 3,686,213</u> **
U.S. Department of Energy			
Passed Through Iowa Department of Human Rights			
Weatherization Assistance Programs	81.042	DOE-05-11A DOE-04-11A	\$ 187,076 86,959
Total CFDA #81.042 and U.S. Department of Energy			<u>\$ 274,035</u>
Department of Homeland Security			
Passed Through the Iowa Northland Regional Council of Governments			
Emergency Food and Shelter National Board Program	97.024	22-2858-00 22-2866-00 22-2924-00	\$ 19,892 2,667 1,960
Total CFDA #97.042 and Department of Homeland Security			<u>\$ 24,519</u>
Total Expenditures of Federal Awards			<u>\$ 7,521,961</u>

*Catalog of Federal Domestic Assistance

**Audited as a Major Program

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2005

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Operation Threshold 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 Nonprofit Organizations; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

OPERATION THRESHOLD
Combining Statement of Financial Position
September 30, 2005

	<u>Total All Funds</u>	<u>Interfund Eliminations</u>	<u>Undesignated and Agency Cost Pool Funds</u>
Assets			
Current Assets			
Cash and Cash Investments	\$ 745,925	--	634,414
Receivables			
Awards and Contracts	353,760	--	9,451
Interfund Receivable	--	(66,000)	66,000
Prepaid Expenses	37,142	--	37,132
Weatherization Inventory	47,524	--	--
Total Current Assets	<u>1,184,351</u>	<u>(66,000)</u>	<u>746,997</u>
Noncurrent Assets			
Real Estate Contracts Receivable	14,508	--	--
Restricted Cash	77,382	--	--
Total Noncurrent Assets	<u>91,890</u>	<u>--</u>	<u>--</u>
Property and Equipment			
Land, Buildings, and Improvements	1,648,517	--	388,642
Furniture and Equipment	520,114	--	515,722
Construction in Progress	841,237	--	--
Accumulated Depreciation	(1,063,763)	--	(688,142)
Net Property and Equipment	<u>1,946,105</u>	<u>--</u>	<u>216,222</u>
 Total Assets	 <u>\$ 3,222,346</u>	 <u>(66,000)</u>	 <u>963,219</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 45,572	--	20,556
Interfund Payable	--	(66,000)	--
Accrued Expenses	107,279	--	103,523
Mortgages Payable - Current Portion	43,497	--	--
Rent Deposits and Escrow	20,481	--	--
Due to Funding Sources	66,110	--	--
Deferred Revenue	29,762	--	--
Total Current Liabilities	<u>312,701</u>	<u>(66,000)</u>	<u>124,079</u>
Deferred Revenue - Noncurrent	<u>14,508</u>	<u>--</u>	<u>--</u>
Long-Term Debt			
Mortgages Payable - Net of Current Portion	<u>443,842</u>	<u>--</u>	<u>--</u>
Net Assets			
Temporarily Restricted	1,103,157	--	--
Unrestricted			
Designated for Program Activities	247,834	--	183,727
Invested in Property and Equipment	661,113	--	216,222
Undesignated	439,191	--	439,191
Total Net Assets	<u>2,451,295</u>	<u>--</u>	<u>839,140</u>
 Total Liabilities and Net Assets	 <u>\$ 3,222,346</u>	 <u>(66,000)</u>	 <u>963,219</u>

OPERATION THRESHOLD
Combining Statement of Financial Position
September 30, 2005

Total Designated Funds	Weatherization Assistance					
	LIHEAP	FaDSS	DOE	HEAP	Inventory	WIC
111,511	6,581	15,899	(478)	(30,823)	11,806	(49,999)
344,309	232	--	478	30,823	--	142,681
--	--	--	--	--	--	--
10	--	--	--	--	--	10
47,524	--	--	--	--	47,524	--
<u>503,354</u>	<u>6,813</u>	<u>15,899</u>	<u>--</u>	<u>--</u>	<u>59,330</u>	<u>92,692</u>
14,508	--	--	--	--	--	--
77,382	--	--	--	--	--	--
<u>91,890</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1,259,875	--	--	--	--	--	--
4,392	--	--	--	--	--	--
841,237	--	--	--	--	--	--
(375,621)	--	--	--	--	--	--
<u>1,729,883</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>2,325,127</u>	<u>6,813</u>	<u>15,899</u>	<u>--</u>	<u>--</u>	<u>59,330</u>	<u>92,692</u>
25,016	--	211	--	--	2,225	4,266
66,000	--	--	--	--	--	--
3,756	--	--	--	--	--	--
43,497	--	--	--	--	--	--
20,481	--	--	--	--	--	--
66,110	6,813	--	--	--	--	59,297
29,762	--	15,688	--	--	--	--
<u>254,622</u>	<u>6,813</u>	<u>15,899</u>	<u>--</u>	<u>--</u>	<u>2,225</u>	<u>63,563</u>
<u>14,508</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>443,842</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1,103,157	--	--	--	--	--	--
64,107	--	--	--	--	57,105	29,129
444,891	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>1,612,155</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>57,105</u>	<u>29,129</u>
<u>2,325,127</u>	<u>6,813</u>	<u>15,899</u>	<u>--</u>	<u>--</u>	<u>59,330</u>	<u>92,692</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

	Comm. Dev. HOME New Constr. Re-Use	Comm. Dev. HOME Rehab Re-Use	Comm. Dev. HOME Rehab Funds
Assets			
Current Assets			
Cash and Cash Investments	\$ --	4,246	150,661
Receivables			
Awards and Contracts	--	--	--
Interfund Receivable	--	--	--
Prepaid Expenses	--	--	--
Weatherization Inventory	--	--	--
Total Current Assets	<u>--</u>	<u>4,246</u>	<u>150,661</u>
Noncurrent Assets			
Real Estate Contracts Receivable	--	--	--
Restricted Cash	--	--	--
Total Noncurrent Assets	<u>--</u>	<u>--</u>	<u>--</u>
Property and Equipment			
Land, Buildings, and Improvements	--	--	--
Furniture and Equipment	--	--	--
Construction in Progress	460,119	94,727	54,534
Accumulated Depreciation	--	--	--
Net Property and Equipment	<u>460,119</u>	<u>94,727</u>	<u>54,534</u>
Total Assets	<u>\$ 460,119</u>	<u>98,973</u>	<u>205,195</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 7,874	952	--
Interfund Payable	--	--	--
Accrued Expenses	--	--	--
Mortgages Payable - Current Portion	--	--	--
Rent Deposits and Escrow	--	--	--
Due to Funding Sources	--	--	--
Deferred Revenue	--	--	--
Total Current Liabilities	<u>7,874</u>	<u>952</u>	<u>--</u>
Deferred Revenue - Noncurrent	<u>--</u>	<u>--</u>	<u>--</u>
Long-Term Debt			
Mortgages Payable - Net of Current Portion	<u>--</u>	<u>--</u>	<u>--</u>
Net Assets			
Temporarily Restricted	452,245	98,021	205,195
Unrestricted			
Designated for Program Activities	--	--	--
Invested in Property and Equipment	--	--	--
Undesignated	--	--	--
Total Net Assets	<u>452,245</u>	<u>98,021</u>	<u>205,195</u>
Total Liabilities and Net Assets	<u>\$ 460,119</u>	<u>98,973</u>	<u>205,195</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

Designated Funds

Comm. Dev. HOME New Constr.	Hope 3 Home	Housing and Fair Lending	Community Housing Partnership	Home Buyer Education	Waterloo Housing Partnership
36,777	89,575	(21,156)	2,630	2,678	479
--	--	21,156	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>36,777</u>	<u>89,575</u>	<u>--</u>	<u>2,630</u>	<u>2,678</u>	<u>479</u>
--	14,508	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>14,508</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	--	--	--	--
19,152	--	--	--	--	--
--	--	--	--	--	--
<u>19,152</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>55,929</u>	<u>104,083</u>	<u>--</u>	<u>2,630</u>	<u>2,678</u>	<u>479</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>14,508</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
55,929	89,575	--	--	--	--
--	--	--	2,630	2,678	479
--	--	--	--	--	--
<u>55,929</u>	<u>89,575</u>	<u>--</u>	<u>2,630</u>	<u>2,678</u>	<u>479</u>
<u>55,929</u>	<u>104,083</u>	<u>--</u>	<u>2,630</u>	<u>2,678</u>	<u>479</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

Assets		Weatherization Assistance Utility Companies	Project Helper
Current Assets			
Cash and Cash Investments		\$ (5,271)	3,965
Receivables			
Awards and Contracts		5,271	--
Interfund Receivable		--	--
Prepaid Expenses		--	--
Weatherization Inventory		--	--
Total Current Assets		<u> --</u>	<u> 3,965</u>
Noncurrent Assets			
Real Estate Contracts Receivable		--	--
Restricted Cash		--	--
Total Noncurrent Assets		<u> --</u>	<u> --</u>
Property and Equipment			
Land, Buildings, and Improvements		--	--
Furniture and Equipment		--	--
Construction in Progress		--	--
Accumulated Depreciation		--	--
Net Property and Equipment		<u> --</u>	<u> --</u>
Total Assets		<u>\$ --</u>	<u> 3,965</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable		\$ --	--
Interfund Payable		--	--
Accrued Expenses		--	--
Mortgages Payable - Current Portion		--	--
Rent Deposits and Escrow		--	--
Due to Funding Sources		--	--
Deferred Revenue		--	--
Total Current Liabilities		<u> --</u>	<u> --</u>
Deferred Revenue - Noncurrent			
		<u> --</u>	<u> --</u>
Long-Term Debt			
Mortgages Payable - Net of Current Portion		<u> --</u>	<u> --</u>
Net Assets			
Temporarily Restricted		--	--
Unrestricted			
Designated for Program Activities		--	3,965
Invested in Property and Equipment		--	--
Undesignated		--	--
Total Net Assets		<u> --</u>	<u> 3,965</u>
Total Liabilities and Net Assets		<u>\$ --</u>	<u> 3,965</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

Designated Funds

<u>Project Care/Share</u>	<u>WIC Farmers Market</u>	<u>WIC Special BF Fund</u>	<u>WIC Food Br Pump</u>	<u>Family Nest</u>	<u>Storks Nest</u>
6,554	(2,864)	160	(819)	(4,179)	713
--	988	--	819	5,662	8,977
--	--	--	--	--	--
--	--	--	--	--	--
<u>6,554</u>	<u>(1,876)</u>	<u>160</u>	<u>--</u>	<u>1,483</u>	<u>9,690</u>
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>6,554</u>	<u>(1,876)</u>	<u>160</u>	<u>--</u>	<u>1,483</u>	<u>9,690</u>
--	--	--	--	10	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>10</u>	<u>--</u>
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
6,554	(1,876)	160	--	1,473	9,690
--	--	--	--	--	--
<u>6,554</u>	<u>(1,876)</u>	<u>160</u>	<u>--</u>	<u>1,473</u>	<u>9,690</u>
<u>6,554</u>	<u>(1,876)</u>	<u>160</u>	<u>--</u>	<u>1,483</u>	<u>9,690</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

	<u>Canterbury Court Apartments</u>	<u>924 Lafayette Street</u>
Assets		
Current Assets		
Cash and Cash Investments	\$ (292,980)	11,474
Receivables		
Awards and Contracts	--	--
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>(292,980)</u>	<u>11,474</u>
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	<u>70,222</u>	<u>400</u>
Total Noncurrent Assets	<u>70,222</u>	<u>400</u>
Property and Equipment		
Land, Buildings, and Improvements	476,426	57,315
Furniture and Equipment	4,392	--
Construction in Progress	--	--
Accumulated Depreciation	<u>(179,344)</u>	<u>(21,820)</u>
Net Property and Equipment	<u>301,474</u>	<u>35,495</u>
 Total Assets	 <u>\$ 78,716</u>	 <u>47,369</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 1,551	24
Interfund Payable	--	--
Accrued Expenses	2,227	--
Mortgages Payable - Current Portion	35,000	--
Rent Deposits and Escrow	13,321	400
Due to Funding Sources	--	--
Deferred Revenue	--	--
Total Current Liabilities	<u>52,099</u>	<u>424</u>
Deferred Revenue - Noncurrent	<u>--</u>	<u>--</u>
Long-Term Debt		
Mortgages Payable - Net of Current Portion	<u>75,000</u>	<u>--</u>
Net Assets		
Temporarily Restricted	--	--
Unrestricted		
Designated for Program Activities	(239,857)	11,450
Invested in Property and Equipment	191,474	35,495
Undesignated	--	--
Total Net Assets	<u>(48,383)</u>	<u>46,945</u>
 Total Liabilities and Net Assets	 <u>\$ 78,716</u>	 <u>47,369</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

	Designated Funds					
Kingswood Apartments	302 Locust Street	1619 Franklin St.	Ankeny Single Family	Lexington Square	316/318 West 3rd Street	
93,186	14,762	6,633	(33,312)	3,845	(52,808)	
--	--	--	--	--	--	
--	--	--	--	--	--	
--	--	--	--	--	--	
<u>93,186</u>	<u>14,762</u>	<u>6,633</u>	<u>(33,312)</u>	<u>3,845</u>	<u>(52,808)</u>	
--	--	--	--	--	--	
2,543	751	373	673	1,835	585	
<u>2,543</u>	<u>751</u>	<u>373</u>	<u>673</u>	<u>1,835</u>	<u>585</u>	
49,982	96,857	10,478	68,811	412,433	87,573	
--	--	--	--	--	--	
--	--	--	--	--	--	
(19,713)	(37,271)	(4,235)	(17,064)	(78,678)	(17,496)	
<u>30,269</u>	<u>59,586</u>	<u>6,243</u>	<u>51,747</u>	<u>333,755</u>	<u>70,077</u>	
<u>125,998</u>	<u>75,099</u>	<u>13,249</u>	<u>19,108</u>	<u>339,435</u>	<u>17,854</u>	
104	--	15	1	(549)	125	
--	--	--	--	--	66,000	
--	--	--	--	1,529	--	
--	--	--	--	8,497	--	
2,543	751	373	673	1,835	585	
--	--	--	--	--	--	
--	--	--	--	--	--	
<u>2,647</u>	<u>751</u>	<u>388</u>	<u>674</u>	<u>11,312</u>	<u>66,710</u>	
--	--	--	--	--	--	
--	--	--	--	368,842	--	
--	--	--	--	(40,719)	--	
--	--	--	--	--	--	
93,082	14,762	6,618	(33,313)	--	(118,933)	
30,269	59,586	6,243	51,747	--	70,077	
--	--	--	--	--	--	
<u>123,351</u>	<u>74,348</u>	<u>12,861</u>	<u>18,434</u>	<u>(40,719)</u>	<u>(48,856)</u>	
<u>125,998</u>	<u>75,099</u>	<u>13,249</u>	<u>19,108</u>	<u>339,435</u>	<u>17,854</u>	

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

Assets	<u>Local Housing Assist.</u>	<u>FHLB Affordable Housing</u>
Current Assets		
Cash and Cash Investments	\$ 30,206	(106,097)
Receivables		
Awards and Contracts	--	106,209
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>30,206</u>	<u>112</u>
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	--	--
Total Noncurrent Assets	<u>--</u>	<u>--</u>
Property and Equipment		
Land, Buildings, and Improvements	--	--
Furniture and Equipment	--	--
Construction in Progress	212,705	--
Accumulated Depreciation	--	--
Net Property and Equipment	<u>212,705</u>	<u>--</u>
Total Assets	<u>\$ 242,911</u>	<u>112</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ --	112
Interfund Payable	--	--
Accrued Expenses	--	--
Mortgages Payable - Current Portion	--	--
Rent Deposits and Escrow	--	--
Due to Funding Sources	--	--
Deferred Revenue	--	--
Total Current Liabilities	<u>--</u>	<u>112</u>
Deferred Revenue - Noncurrent	<u>--</u>	<u>--</u>
Long-Term Debt		
Mortgages Payable - Net of Current Portion	<u>--</u>	<u>--</u>
Net Assets		
Temporarily Restricted	242,911	--
Unrestricted		
Designated for Program Activities	--	--
Invested in Property and Equipment	--	--
Undesignated	--	--
Total Net Assets	<u>242,911</u>	<u>--</u>
Total Liabilities and Net Assets	<u>\$ 242,911</u>	<u>112</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2005

Designated Funds					
Emergency Funds	Fan Program	Toy Project	Emergency Shelter Grants Program	School Supplies	Outreach Offices
3,853	3	4,622	(19,758)	527	200,390
--	--	--	19,758	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>3,853</u>	<u>3</u>	<u>4,622</u>	<u>--</u>	<u>527</u>	<u>200,390</u>
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>3,853</u>	<u>3</u>	<u>4,622</u>	<u>--</u>	<u>527</u>	<u>200,390</u>
--	--	--	--	--	6,825
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,825</u>
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
3,853	3	4,622	--	527	193,565
--	--	--	--	--	--
<u>3,853</u>	<u>3</u>	<u>4,622</u>	<u>--</u>	<u>527</u>	<u>193,565</u>
<u>3,853</u>	<u>3</u>	<u>4,622</u>	<u>--</u>	<u>527</u>	<u>200,390</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2005

Assets	IHOEP	Fannie Mae
Current Assets		
Cash and Cash Investments	\$ 3,800	8,363
Receivables		
Awards and Contracts	--	--
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>3,800</u>	<u>8,363</u>
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	--	--
Total Noncurrent Assets	<u>--</u>	<u>--</u>
Property and Equipment		
Land, Buildings, and Improvements	--	--
Furniture and Equipment	--	--
Construction in Progress	--	--
Accumulated Depreciation	--	--
Net Property and Equipment	<u>--</u>	<u>--</u>
Total Assets	<u><u>\$ 3,800</u></u>	<u><u>8,363</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ --	--
Interfund Payable	--	--
Accrued Expenses	--	--
Mortgages Payable - Current Portion	--	--
Rent Deposits and Escrow	--	--
Due to Funding Sources	--	--
Deferred Revenue	3,800	8,013
Total Current Liabilities	<u>3,800</u>	<u>8,013</u>
Deferred Revenue - Noncurrent	<u>--</u>	<u>--</u>
Long-Term Debt		
Mortgages Payable - Net of Current Portion	<u>--</u>	<u>--</u>
Net Assets		
Temporarily Restricted	--	--
Unrestricted		
Designated for Program Activities	--	350
Invested in Property and Equipment	--	--
Undesignated	--	--
Total Net Assets	<u>--</u>	<u>350</u>
Total Liabilities and Net Assets	<u><u>\$ 3,800</u></u>	<u><u>8,363</u></u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2005

<u>IFA Anti-Predatory Lending</u>	<u>Hawkeye Valley on Aging</u>	<u>Food Assist. Program</u>	<u>Grundy Co. Food Pantry</u>	<u>Volunteer Programs</u>
2,983	169	7,762	7,806	(1,053)
--	--	147	--	1,108
--	--	--	--	--
--	--	--	--	--
<u>2,983</u>	<u>169</u>	<u>7,909</u>	<u>7,806</u>	<u>55</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>2,983</u>	<u>169</u>	<u>7,909</u>	<u>7,806</u>	<u>55</u>
722	--	--	493	55
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>2,261</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>2,983</u>	<u>--</u>	<u>--</u>	<u>493</u>	<u>55</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	169	7,909	7,313	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>169</u>	<u>7,909</u>	<u>7,313</u>	<u>--</u>
<u>2,983</u>	<u>169</u>	<u>7,909</u>	<u>7,806</u>	<u>55</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

Combining Statement of Activities

Year Ended September 30, 2005

	Total All Funds	Undesignated and Agency Cost Pool Funds	Total Designated Funds
Support and Revenue			
Government Awards and Contract Revenue	\$ 4,634,301	--	4,634,301
Food Vouchers for Distribution	2,992,185	--	2,992,185
CSBG Co-funding Provided	--	134,606	(134,606)
Rental Income	256,866	--	256,866
Contributions and Public Support	177,060	51,271	125,789
Proceeds from Sales of Properties	218,152	--	218,152
Interest Income	26,886	26,387	499
Other Revenue	5,777	--	5,777
Total Support and Revenue	<u>8,311,227</u>	<u>212,264</u>	<u>8,098,963</u>
Expenses			
Program and General Expenses	5,348,572	1,163,074	4,185,498
Food Vouchers for Distribution	2,992,185	--	2,992,185
Depreciation	92,744	41,784	50,960
Interfund Expense Transfers	--	(1,082,263)	1,082,263
Total Expenses	<u>8,433,501</u>	<u>122,595</u>	<u>8,310,906</u>
Excess (Deficiency) of Support and Revenue Over Expenses Before Capital Additions	(122,274)	89,669	(211,943)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	203,339	9,769	193,570
Net Assets - Beginning of Year	<u>2,370,230</u>	<u>739,702</u>	<u>1,630,528</u>
Net Assets - End of Year	<u>\$ 2,451,295</u>	<u>839,140</u>	<u>1,612,155</u>

OPERATION THRESHOLD

Combining Statement of Activities

Year Ended September 30, 2005

Iowa Department of Human Rights/Division of Community Action Agencies						Ia. Dept. of Public Health
Weatherization Assistance						
LIHEAP	CSBG	FaDSS	DOE	HEAP	Inventory	WIC
1,978,347	469,910	210,899	274,035	353,709	--	694,028
--	--	--	--	--	--	2,992,185
--	(410,523)	--	--	--	--	8,329
--	--	--	--	--	--	--
--	--	5,278	--	--	--	3,147
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>1,978,347</u>	<u>59,387</u>	<u>216,177</u>	<u>274,035</u>	<u>353,709</u>	<u>--</u>	<u>3,697,689</u>
1,904,799	19,782	198,456	52,578	102,141	--	614,587
--	--	--	--	--	--	2,992,185
--	--	--	--	--	--	--
73,548	39,605	18,321	221,457	251,568	--	87,558
<u>1,978,347</u>	<u>59,387</u>	<u>216,777</u>	<u>274,035</u>	<u>353,709</u>	<u>--</u>	<u>3,694,330</u>
--	--	(600)	--	--	--	3,359
--	--	--	--	--	--	--
--	--	600	--	--	57,105	25,770
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>57,105</u>	<u>29,129</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

	Comm. Dev. HOME New Constr. Re-Use	Comm. Dev. HOME Rehab Re-Use	Comm. Dev. HOME Rehab Funds
Support and Revenue			
Government Awards and Contract Revenue	\$ --	4,788	37,096
Food Vouchers for Distribution	--	--	--
CSBG Co-funding Provided	--	--	--
Rental Income	--	--	--
Contributions and Public Support	--	--	--
Proceeds from Sales of Properties	--	--	--
Interest Income	--	--	--
Other Revenue	--	--	--
Total Support and Revenue	<u>--</u>	<u>4,788</u>	<u>37,096</u>
Expenses			
Program and General Expenses	322,422	59,315	37,094
Food Vouchers for Distribution	--	--	--
Depreciation	--	--	--
Interfund Expense Transfers	(334,251)	(41,675)	57,194
Total Expenses	<u>(11,829)</u>	<u>17,640</u>	<u>94,288</u>
Excess (Deficiency) of Support and Revenue over Expenses	11,829	(12,852)	(57,192)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	269,675	74,706	--
Net Assets - Beginning of Year	<u>170,741</u>	<u>36,167</u>	<u>262,387</u>
Net Assets - End of Year	<u>\$ 452,245</u>	<u>98,021</u>	<u>205,195</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

Housing and Urban Development					
Comm. Dev. HOME New Constr.	Hope 3 Home	Housing and Fair Lending	Community Housing Partnership	Home Buyer Education	Waterloo Housing Partnership
--	--	21,156	7,332	7,156	48,303
--	--	--	--	--	--
--	--	--	--	--	--
--	1,746	--	1,440	2,340	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>1,746</u>	<u>21,156</u>	<u>8,772</u>	<u>9,496</u>	<u>48,303</u>
--	352	21,256	7,891	6,840	47,202
--	--	--	--	--	--
--	--	--	--	--	--
29,301	--	--	(828)	9,509	(3,142)
<u>29,301</u>	<u>352</u>	<u>21,256</u>	<u>7,063</u>	<u>16,349</u>	<u>44,060</u>
(29,301)	1,394	(100)	1,709	(6,853)	4,243
(121,135)	--	--	--	--	--
<u>206,365</u>	<u>88,181</u>	<u>100</u>	<u>921</u>	<u>9,531</u>	<u>(3,764)</u>
<u>55,929</u>	<u>89,575</u>	<u>--</u>	<u>2,630</u>	<u>2,678</u>	<u>479</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

	<u>Weatherization Assistance Utility Companies</u>	<u>Project Helper</u>
Support and Revenue		
Government Awards and Contract Revenue	\$ 224,438	--
Food Vouchers for Distribution	--	--
CSBG Co-funding Provided	--	--
Rental Income	--	--
Contributions and Public Support	--	1,912
Proceeds from Sales of Properties	--	--
Interest Income	--	--
Other Revenue	--	--
Total Support and Revenue	<u>224,438</u>	<u>1,912</u>
Expenses		
Program and General Expenses	92,277	1,395
Food Vouchers for Distribution	--	--
Depreciation	--	--
Interfund Expense Transfers	132,161	--
Total Expenses	<u>224,438</u>	<u>1,395</u>
Excess (Deficiency) of Support and Revenue over Expenses	--	517
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	<u>--</u>	<u>3,448</u>
Net Assets - End of Year	<u>\$ --</u>	<u>3,965</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

Local Government and Miscellaneous Funding Sources

<u>Project Care/ Project Share</u>	<u>WIC Farmers Market</u>	<u>WIC Special BF Fund</u>	<u>WIC Food Br Pump</u>	<u>Family Nest</u>	<u>Storks Nest</u>
--	2,471	--	--	14,790	28,958
--	--	--	--	--	--
--	--	--	--	--	6,274
--	--	--	--	--	--
28,963	195	--	2,219	3,310	12,507
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>28,963</u>	<u>2,666</u>	<u>--</u>	<u>2,219</u>	<u>18,100</u>	<u>47,739</u>
26,076	--	10	2,219	18,413	30,811
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	(1,624)	8,769
<u>26,076</u>	<u>--</u>	<u>10</u>	<u>2,219</u>	<u>16,789</u>	<u>39,580</u>
2,887	2,666	(10)	--	1,311	8,159
--	--	--	--	--	--
<u>3,667</u>	<u>(4,542)</u>	<u>170</u>	<u>--</u>	<u>162</u>	<u>1,531</u>
<u>6,554</u>	<u>(1,876)</u>	<u>160</u>	<u>--</u>	<u>1,473</u>	<u>9,690</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

	<u>Canterbury Court Apartments</u>	<u>924 Lafayette Street</u>
Support and Revenue		
Government Awards and Contract Revenue	\$ --	--
Food Vouchers for Distribution	--	--
CSBG Co-funding Provided	--	--
Rental Income	141,296	8,932
Contributions and Public Support	--	--
Proceeds from Sales of Properties	--	--
Interest Income	499	--
Other Revenue	4,807	50
Total Support and Revenue	<u>146,602</u>	<u>8,982</u>
Expenses		
Program and General Expenses	78,655	3,484
Food Vouchers for Distribution	--	--
Depreciation	19,268	2,296
Interfund Expense Transfers	29,181	1,250
Total Expenses	<u>127,104</u>	<u>7,030</u>
Excess (Deficiency) of Support and Revenue over Expenses	19,498	1,952
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	<u>(67,881)</u>	<u>44,993</u>
Net Assets - End of Year	<u>\$ (48,383)</u>	<u>46,945</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

Local Government and Miscellaneous Funding Sources					
<u>Kingswood Apartments</u>	<u>302 Locust Street</u>	<u>1619 Franklin St.</u>	<u>Ankeny Single Family</u>	<u>Lexington Square</u>	<u>316/318 West 3rd Street</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
32,390	9,237	5,408	8,067	28,784	22,392
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
315	399	--	--	96	110
<u>32,705</u>	<u>9,636</u>	<u>5,408</u>	<u>8,067</u>	<u>28,880</u>	<u>22,502</u>
14,020	2,670	2,306	1,458	26,422	12,828
--	--	--	--	--	--
2,654	4,030	488	5,124	13,916	3,184
4,894	1,027	814	894	4,936	4,037
<u>21,568</u>	<u>7,727</u>	<u>3,608</u>	<u>7,476</u>	<u>45,274</u>	<u>20,049</u>
11,137	1,909	1,800	591	(16,394)	2,453
--	--	--	--	--	--
<u>112,214</u>	<u>72,439</u>	<u>11,061</u>	<u>17,843</u>	<u>(24,325)</u>	<u>(51,309)</u>
<u>123,351</u>	<u>74,348</u>	<u>12,861</u>	<u>18,434</u>	<u>(40,719)</u>	<u>(48,856)</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

	Local Housing Assist.	FHLB Affordable Housing	Emergency Funds
Support and Revenue			
Government Awards and Contract Revenue	\$ 90,914	106,209	--
Food Vouchers for Distribution	--	--	--
CSBG Co-funding Provided	--	--	--
Rental Income	360	--	--
Contributions and Public Support	--	--	14,096
Proceeds from Sales of Properties	218,152	--	--
Interest Income	--	--	--
Other Revenue	--	--	--
Total Support and Revenue	<u>309,426</u>	<u>106,209</u>	<u>14,096</u>
Expenses			
Program and General Expenses	86,674	84,070	13,515
Food Vouchers for Distribution	--	--	--
Depreciation	--	--	--
Interfund Expense Transfers	401,850	22,139	--
Total Expenses	<u>488,524</u>	<u>106,209</u>	<u>13,515</u>
Excess (Deficiency) of Support and Revenue over Expenses	(179,098)	--	581
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	(29,676)	--	--
Net Assets - Beginning of Year	<u>451,685</u>	<u>--</u>	<u>3,272</u>
Net Assets - End of Year	<u>\$ 242,911</u>	<u>--</u>	<u>3,853</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

Local Government and Miscellaneous Funding Sources

<u>Fan Program</u>	<u>Toy Project</u>	<u>Emergency Shelter Grants Program</u>	<u>Teen Trust</u>	<u>School Supplies</u>	<u>Outreach Offices</u>
--	--	20,229	900	--	--
--	--	--	--	--	--
--	--	--	--	--	261,314
--	--	--	--	--	--
200	4,891	--	--	620	38,677
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>200</u>	<u>4,891</u>	<u>20,229</u>	<u>900</u>	<u>620</u>	<u>299,991</u>
197	2,184	20,229	900	148	225,736
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	72,710
<u>197</u>	<u>2,184</u>	<u>20,229</u>	<u>900</u>	<u>148</u>	<u>298,446</u>
3	2,707	--	--	472	1,545
--	--	--	--	--	--
--	1,915	--	--	55	192,020
<u>3</u>	<u>4,622</u>	<u>--</u>	<u>--</u>	<u>527</u>	<u>193,565</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

	Emergency Food and Shelter (FEMA)	Fannie Mae
Support and Revenue		
Government Awards and Contract Revenue	\$ 24,519	375
Food Vouchers for Distribution	--	--
CSBG Co-funding Provided	--	--
Rental Income	--	--
Contributions and Public Support	--	--
Proceeds from Sales of Properties	--	--
Interest Income	--	--
Other Revenue	--	--
Total Support and Revenue	24,519	375
Expenses		
Program and General Expenses	24,519	25
Food Vouchers for Distribution	--	--
Depreciation	--	--
Interfund Expense Transfers	--	--
Total Expenses	24,519	25
Excess (Deficiency) of Support and Revenue over Expenses	--	350
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	--	--
Net Assets - End of Year	\$ --	350

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2005

Local Government and Miscellaneous Funding Sources

<u>IFA Anti-Predatory Lending</u>	<u>Hawkeye Valley on Aging</u>	<u>Food Assist. Program</u>	<u>Grundy Co. Food Pantry</u>	<u>Volunteer Programs</u>
1,826	--	483	--	11,430
--	--	--	--	--
--	--	--	--	--
--	--	--	4,248	--
--	--	--	--	--
--	--	--	--	--
<u>1,826</u>	<u>--</u>	<u>483</u>	<u>4,248</u>	<u>11,430</u>
1,826	--	964	4,772	11,980
--	--	--	--	--
--	--	--	--	--
--	--	(8,390)	--	(550)
<u>1,826</u>	<u>--</u>	<u>(7,426)</u>	<u>4,772</u>	<u>11,430</u>
--	--	7,909	(524)	--
--	--	--	--	--
--	169	--	7,837	--
<u>--</u>	<u>169</u>	<u>7,909</u>	<u>7,313</u>	<u>--</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

**Combining Statement of Financial Position -
Undesignated and Agency Cost Pool Funds**

September 30, 2005

Assets	<u>Total</u>	<u>Payroll Clearing</u>	<u>Agency</u>
Current Assets			
Cash and Cash Investments	\$ 634,414	115,807	352,535
Receivables			
Awards and Contracts	9,451	--	9,451
Interfund	66,000	--	66,000
Prepaid Expenses	37,132	--	35,305
Total Current Assets	<u>746,997</u>	<u>115,807</u>	<u>463,291</u>
Property and Equipment			
Land, Buildings, and Improvements	388,642	--	388,642
Furniture and Equipment	515,722	--	116,348
Accumulated Depreciation	(688,142)	--	(352,130)
Net Property and Equipment	<u>216,222</u>	<u>--</u>	<u>152,860</u>
 Total Assets	 <u>\$ 963,219</u>	 <u>115,807</u>	 <u>616,151</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 20,556	12,284	--
Accrued Expenses	103,523	103,523	--
Total Current Liabilities	<u>124,079</u>	<u>115,807</u>	<u>--</u>
Net Assets			
Temporarily Restricted	--	--	--
Unrestricted			
Designated for Program Activities	183,727	--	24,100
Invested in Property and Equipment	216,222	--	152,860
Undesignated	439,191	--	439,191
Total Net Assets	<u>839,140</u>	<u>--</u>	<u>616,151</u>
 Total Liabilities and Net Assets	 <u>\$ 963,219</u>	 <u>115,807</u>	 <u>616,151</u>

OPERATION THRESHOLD

**Combining Statement of Financial Position -
Undesignated and Agency Cost Pool Funds**

September 30, 2005

Undesignated and Agency Cost Pools

<u>Equipment</u>	<u>Fiscal</u>	<u>Personnel</u>	<u>Admin. Services</u>	<u>Resource Devel.</u>	<u>Building Operations</u>	<u>WX Admin. Support</u>	<u>Housing Support</u>	<u>Home Repair</u>
40,003	23,382	11,494	13,422	1,404	9,463	59,551	7,200	153
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	1,275	--	552	--	--	--	--	--
<u>40,003</u>	<u>24,657</u>	<u>11,494</u>	<u>13,974</u>	<u>1,404</u>	<u>9,463</u>	<u>59,551</u>	<u>7,200</u>	<u>153</u>
--	--	--	--	--	--	--	--	--
399,374	--	--	--	--	--	--	--	--
(336,012)	--	--	--	--	--	--	--	--
<u>63,362</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>103,365</u>	<u>24,657</u>	<u>11,494</u>	<u>13,974</u>	<u>1,404</u>	<u>9,463</u>	<u>59,551</u>	<u>7,200</u>	<u>153</u>
162	616	92	167	1,404	110	5,535	33	153
--	--	--	--	--	--	--	--	--
<u>162</u>	<u>616</u>	<u>92</u>	<u>167</u>	<u>1,404</u>	<u>110</u>	<u>5,535</u>	<u>33</u>	<u>153</u>
--	--	--	--	--	--	--	--	--
39,841	24,041	11,402	13,807	--	9,353	54,016	7,167	--
63,362	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
<u>103,203</u>	<u>24,041</u>	<u>11,402</u>	<u>13,807</u>	<u>--</u>	<u>9,353</u>	<u>54,016</u>	<u>7,167</u>	<u>--</u>
<u>103,365</u>	<u>24,657</u>	<u>11,494</u>	<u>13,974</u>	<u>1,404</u>	<u>9,463</u>	<u>59,551</u>	<u>7,200</u>	<u>153</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

**Combining Statement of Activities -
Undesignated and Agency Cost Pool Funds**

Year Ended September 30, 2005

	<u>Total</u>	<u>Agency</u>	<u>Equipment</u>
Support and Revenue			
Contract Revenue	\$ --	--	--
CSBG Co-funding Provided	134,606	--	--
Contributions and Public Support	51,271	4,658	28,580
Interest Income	26,387	26,387	--
Total Support and Revenue	<u>212,264</u>	<u>31,045</u>	<u>28,580</u>
Expenses			
Management and General Expenses	1,163,074	9,227	23,285
Depreciation	41,784	9,532	32,252
Interfund Expense Transfers	(1,082,263)	(23,505)	(13,442)
Total Expenses	<u>122,595</u>	<u>(4,746)</u>	<u>42,095</u>
Excess (Deficiency) of Support and Revenue over Expenses	89,669	35,791	(13,515)
Capital Additions - Equipment Fund	9,769	--	9,769
Net Assets - Beginning of Year	<u>739,702</u>	<u>580,360</u>	<u>106,949</u>
Net Assets - End of Year	<u>\$ 839,140</u>	<u>616,151</u>	<u>103,203</u>

OPERATION THRESHOLD

**Combining Statement of Activities -
Undesignated and Agency Cost Pool Funds**

Year Ended September 30, 2005

Undesignated and Agency Cost Pools

<u>Wellness</u>	<u>Fiscal</u>	<u>Personnel</u>	<u>Admin. Services</u>	<u>Resource Devel.</u>	<u>Bldg. Operations</u>	<u>WX Admin Support</u>	<u>Housing Support</u>	<u>Home Repair</u>
--	--	--	--	--	--	--	--	--
2,757	--	--	--	86,489	--	--	45,360	--
--	2	30	2	--	--	5,142	9,450	3,407
--	--	--	--	--	--	--	--	--
<u>2,757</u>	<u>2</u>	<u>30</u>	<u>2</u>	<u>86,489</u>	<u>--</u>	<u>5,142</u>	<u>54,810</u>	<u>3,407</u>
2,757	150,110	54,315	180,188	70,181	39,684	499,304	128,145	5,878
--	--	--	--	--	--	--	--	--
--	(150,108)	(55,780)	(180,186)	16,308	(39,684)	(560,436)	(72,959)	(2,471)
<u>2,757</u>	<u>2</u>	<u>(1,465)</u>	<u>2</u>	<u>86,489</u>	<u>--</u>	<u>(61,132)</u>	<u>55,186</u>	<u>3,407</u>
--	--	1,495	--	--	--	66,274	(376)	--
--	--	--	--	--	--	--	--	--
--	24,041	9,907	13,807	--	9,353	(12,258)	7,543	--
<u>--</u>	<u>24,041</u>	<u>11,402</u>	<u>13,807</u>	<u>--</u>	<u>9,353</u>	<u>54,016</u>	<u>7,167</u>	<u>--</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Community Services Block Grant

Contract No. CSBG-04-11-CA
(Contract Period 10/01/03 - 9/30/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 10/01/04 - 9/30/05</u>
Space Costs	\$ 12,800	10,499
Equipment Costs	1,450	1,025
Consultants	11,000	11,000
Co-Funded Programs	401,205	410,523
Other Costs	<u>43,455</u>	<u>36,863</u>
 Total	 <u><u>\$469,910</u></u>	 <u><u>469,910</u></u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Low Income Home Energy Assistance Program

Contract No. LIHEAP-05-11A
(Contract Period 10/01/04 - 9/30/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 10/01/04 - 9/30/05</u>
Assistance Awards		
Regular Assistance	\$ 1,562,053	1,561,119
Energy Crisis Intervention	126,330	126,330
Client Services Assessment and Resolution	50,241	50,241
Summer Deliverable Fuel	85,600	85,600
Administration	<u>155,057</u>	<u>155,057</u>
 Total Grant Expenses	 <u><u>\$ 1,979,281</u></u>	 <u><u>1,978,347</u></u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. DOE-05-11A
(Contract Period 4/01/05 - 3/31/06)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 4/01/05 - 9/30/05</u>
Administration	\$ 22,659	15,619
Health and Safety	49,730	34,257
Support	64,465	54,366
Labor	67,227	49,722
Materials	67,227	33,112
Total	<u><u>\$271,308</u></u>	<u><u>187,076</u></u>

Contract No. DOE-04-11A
(Contract Period 4/01/04 - 3/31/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses</u>		
		<u>Total</u>	<u>10/01/04 - 3/31/05</u>	<u>4/01/04 - 9/30/04</u>
Administration	\$ 22,367	22,367	6,924	15,443
Health and Safety	50,712	48,705	16,003	32,702
Support	65,735	40,034	--	40,034
Labor	68,552	93,690	33,243	60,447
Materials	68,552	71,152	30,819	40,333
Rental Machine	--	(30)	(30)	--
Total	<u><u>\$275,918</u></u>	<u><u>275,918</u></u>	<u><u>86,959</u></u>	<u><u>188,959</u></u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. HEAP 05-11A
(Contract Period 4/01/05 - 3/31/06)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 4/01/05 - 9/30/05</u>
Administration	\$ 19,098	3,916
Health and Safety	66,875	24,680
Support	86,689	39,279
Labor	90,405	4,818
Materials	90,405	1,703
Equipment/Training	10,036	2,290
Total	<u>\$ 363,508</u>	<u>76,686</u>

Contract No. HEAP 04-11A
(Contract Period 4/01/04 - 3/31/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Total</u>	<u>Actual Expenses</u>	
			<u>10/01/04 - 3/31/05</u>	<u>4/01/04 - 9/30/04</u>
Administration	\$ 18,168	18,168	14,490	3,678
Health and Safety	63,533	70,545	55,014	15,531
Support	82,358	144,618	104,988	39,630
Labor	85,888	66,161	58,730	7,431
Materials	85,888	36,343	34,614	1,729
Equipment/Training	12,329	12,293	9,187	3,106
Total	<u>\$ 348,164</u>	<u>348,128</u>	<u>277,023</u>	<u>71,105</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. IPL 05-11A
(Contract Period 1/01/05 - 12/31/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/05 - 9/30/05</u>
Administration	\$ 1,640	955
Support	3,280	1,736
Labor	13,937	8,612
Materials	<u>13,937</u>	<u>8,747</u>
Total	<u>\$ 32,794</u>	<u>20,050</u>

Contract No. IPL-04-11A
(Contract Period 1/01/04 - 12/31/04)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Total</u>	<u>Actual Expenses</u>	
			<u>10/01/04 - 12/31/04</u>	<u>1/01/04 - 9/30/04</u>
Administration	\$ 937	937	610	327
Health and Safety	--	300	300	--
Support	1,903	1,043	163	880
Labor	5,780	6,602	3,197	3,405
Materials	<u>5,780</u>	<u>5,518</u>	<u>3,267</u>	<u>2,251</u>
Total	<u>\$ 14,400</u>	<u>14,400</u>	<u>7,537</u>	<u>6,863</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. MEC-05-11A
(Contract Period 1/01/05 - 12/31/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/05 - 9/30/05</u>
Administration	\$ 9,687	9,687
Health and Safety	--	384
Support	19,374	15,994
Labor	82,339	77,238
Materials	82,339	90,436
 Total	 <u>\$ 193,739</u>	 <u>193,739</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. AQU-05-11A
(Contract Period 1/01/05 - 12/31/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/05 - 9/30/05</u>
Administration	\$ 332	143
Support	665	260
Labor	2,823	1,682
Materials	<u>2,823</u>	<u>915</u>
Total	<u>\$ 6,643</u>	<u>3,000</u>

Contract No. AQU-04-11A
(Contract Period 1/01/04 - 12/31/04)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses</u>		
		<u>Total</u>	<u>10/01/04 - 12/31/04</u>	<u>1/01/04 - 9/30/04</u>
Administration	\$ 174	174	14	160
Labor	1,649	2,093	--	2,093
Materials	<u>1,649</u>	<u>1,205</u>	<u>98</u>	<u>1,107</u>
Total	<u>\$ 3,472</u>	<u>3,472</u>	<u>112</u>	<u>3,360</u>

SEE INDEPENDENT AUDITOR'S REPORT.

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

**Family Development and Self-Sufficiency
Demonstration Grant**

Contract No. FaDSS 06-11-FA
(Contract Period 7/01/05 - 6/30/06)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 7/01/05- 9/30/05</u>
Grant Expenses		
Administrative	\$ 22,029	9,463
Personnel	172,179	41,723
Travel	5,600	1,864
Space/Utilities	3,000	989
Other	7,006	2,390
Third Party Payments	--	20
Total Grant Expenses	<u>209,814</u>	<u>56,449</u>
Local Funds		
Administrative	--	--
Personnel	--	--
Travel	540	--
Space/Utilities	1,422	--
Other	4,528	--
Third Party Payments	2,000	--
Total Expenses	<u>\$ 218,304</u>	<u>56,449</u>

Contract No. FaDSS 05-11-FA
(Contract Period 7/01/04 - 6/30/05)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses</u>		
		<u>Total</u>	<u>10/01/04 - 6/30/05</u>	<u>7/01/04 - 9/30/04</u>
Grant Expenses				
Administrative	\$ 16,925	16,918	11,525	5,393
Personnel	170,745	173,609	130,675	42,934
Travel	5,300	5,070	3,879	1,191
Space/Utilities	3,000	3,279	2,176	1,103
Other	11,919	10,223	5,573	4,650
Third Party Payments	1,925	715	622	93
Total Grant Expenses	<u>209,814</u>	<u>209,814</u>	<u>154,450</u>	<u>55,364</u>
Local Funds				
Administrative	4,055	4,441	4,441	--
Personnel	--	3,475	3,475	--
Travel	1,492	687	687	--
Space/Utilities	500	924	924	--
Other	2,360	2,066	2,066	--
Third Party Payments	83	1,268	1,268	--
Total	<u>\$ 218,304</u>	<u>222,675</u>	<u>167,311</u>	<u>55,364</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Public Health

Schedule of Expenses Compared to Budget

Special Supplemental Food Program for Women, Infants, and Children

Contract No. 5885A043

(Contract Period 10/01/04 - 9/30/05)

Cost Category	Approved Budget	Actual Expenses 10/01/04 - 9/30/05
Cash Grant Expenses		
Salary/Fringe	\$ 607,363	592,302
Contracted/Outside Services	5,382	4,288
Other	81,283	97,438
Total Cash Grant Expenses	694,028	694,028
Other Expenses		
Salary/Fringe	9,000	5,984
Other	2,974	2,133
Total Other Expenses	11,974	8,117
Total Cash Grant and Other Expenses	\$ 706,002	702,145
Noncash Expenses		
Food Vouchers Distributed		2,992,185
Total Expenses		3,694,330

SEE INDEPENDENT AUDITOR'S REPORT