

OPERATION THRESHOLD

Waterloo, Iowa

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

September 30, 2006

(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
Julia Eckerman

Barbara Smith
Bryan Palmer
Patricia Gorman
Ranee Beyer

Management

Barbara A. Grant
Lori Miller
Nancy Anderson
Leian Kammeyer
Craig Boche
Wayne Taylor

Executive Director
Community Resources Director
WIC Director
Fiscal Director
Human Resources Director
Housing Director

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

2

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WILLIAM H. BOORN, CPA
DENNIS L. MUELLER, CPA
DENNIS J. WAGNER, CPA
STEPHEN L. KOEHN, 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, 2006, 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 2005 financial statements and, in our report dated November 16, 2005, 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, 2006, 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 15, 2006, 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 15, 2006
West Des Moines, Iowa

OPERATION THRESHOLD
Statement of Financial Position
September 30, 2006
(With Comparative Totals for 2005)

Assets

	Total All Funds	
	2006	2005
Current Assets		
Cash and Cash Equivalents	\$ 804,510	745,925
Receivables		
Awards and Contracts	329,693	353,760
Prepaid Expenses	37,294	37,142
Weatherization Inventory	75,963	47,524
Total Current Assets	1,247,460	1,184,351
Noncurrent Assets		
Real Estate Contract Receivable	12,926	14,508
Restricted Cash	77,847	77,382
Construction in Progress - Housing Programs	544,481	841,237
Total Noncurrent Assets	635,254	933,127
Property and Equipment		
Land, Buildings, and Improvements	1,648,517	1,648,517
Furniture and Equipment	524,214	520,114
	2,172,731	2,168,631
Accumulated Depreciation	(1,149,063)	(1,063,763)
Net Property and Equipment	1,023,668	1,104,868
 Total Assets	 \$ 2,906,382	 3,222,346
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 63,180	45,572
Accrued Expenses	86,740	107,279
Mortgages Payable - Current Portion	43,900	43,497
Rent Deposits and Escrow	20,009	20,481
Due to Funding Sources	234,684	66,110
Deferred Revenue	13,593	29,762
Total Current Liabilities	462,106	312,701
Deferred Revenue - Noncurrent	12,926	14,508
Long-Term Debt		
Mortgages Payable - Net of Current Portion	399,942	443,842
Total Liabilities	874,974	771,051
Net Assets		
Temporarily Restricted	604,262	1,103,157
Unrestricted		
Designated for Program Activities	336,840	247,834
Invested in Property and Equipment	628,829	661,113
Undesignated	461,477	439,191
Total Net Assets	2,031,408	2,451,295
 Total Liabilities and Net Assets	 \$ 2,906,382	 3,222,346

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, 2006
(With Comparative Totals for 2005)

	Unrestricted	Temporarily Restricted	Total All Funds	
			2006	2005
Support and Revenue				
Government Awards and Contract Revenue	\$ 5,975,347	--	5,975,347	4,634,301
Contributions, Public Support, and Services	464,420	--	464,420	177,060
Rental Income	271,640	--	271,640	256,866
Proceeds from Sales of Properties	59,597	--	59,597	218,152
Interest Income	11,634	--	11,634	26,886
Other Revenue	2,581	--	2,581	5,777
Food Vouchers for Distribution	3,099,435	--	3,099,435	2,992,185
	<u>9,884,654</u>	<u>--</u>	<u>9,884,654</u>	<u>8,311,227</u>
Net Assets Released from Restrictions - Satisfaction of Usage Restrictions	202,139	(202,139)	--	--
Total Support and Revenue	<u>10,086,793</u>	<u>(202,139)</u>	<u>9,884,654</u>	<u>8,311,227</u>
Functional Expenses				
Program Services				
Women, Infants, and Children	3,819,196	--	3,819,196	3,694,330
Low Income Home Energy Assistance Program	3,090,854	--	3,090,854	1,978,347
Weatherization Assistance Programs	1,235,165	--	1,235,165	852,182
Outreach Offices	306,310	--	306,310	298,446
HOME Investment Partnership Programs	293,955	--	293,955	129,752
Rental Housing Programs	290,856	--	290,856	239,836
Project Care	267,852	--	267,852	26,076
Family Development and Self-Sufficiency	194,624	--	194,624	216,777
FHLB Affordable Housing	110,640	--	110,640	106,209
Local Housing Assistance Programs	(7,156)	--	(7,156)	555,996
Other Programs	353,701	--	353,701	212,955
Total Program Services	<u>9,955,997</u>	<u>--</u>	<u>9,955,997</u>	<u>8,310,906</u>
Administrative Support Services				
Management and General	55,888	--	55,888	122,595
Total Functional Expenses	<u>10,011,885</u>	<u>--</u>	<u>10,011,885</u>	<u>8,433,501</u>
Change in Net Assets Before Net Additions of Capital Items	74,908	(202,139)	(127,231)	(122,274)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	<u>4,100</u>	<u>(296,756)</u>	<u>(292,656)</u>	<u>203,339</u>
Change in Net Assets	79,008	(498,895)	(419,887)	81,065
Net Assets - Beginning of Year	<u>1,348,138</u>	<u>1,103,157</u>	<u>2,451,295</u>	<u>2,370,230</u>
Net Assets - End of Year	<u>\$ 1,427,146</u>	<u>604,262</u>	<u>2,031,408</u>	<u>2,451,295</u>

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

OPERATION THRESHOLD

Statement of Cash Flows

Year Ended September 30, 2006
(With Comparative Totals for 2005)

	<u>Total All Funds</u>	
	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (419,887)	81,065
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	85,300	92,744
Net Change in Construction in Progress - Housing Programs	296,756	(193,570)
(Increase) Decrease in		
Receivables	24,067	189,800
Prepaid Expenses	(152)	40,724
Weatherization Inventory	(28,439)	(23,884)
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	(2,931)	(14,895)
Rent Deposits and Escrow	(472)	992
Due to Funding Sources	168,574	(1,828)
Deferred Revenue	(16,169)	11,639
Net Cash Flows from Operating Activities	<u>106,647</u>	<u>182,787</u>
Cash Flows from Investing Activities		
Cash Paid for Property and Equipment	<u>(4,100)</u>	<u>(18,769)</u>
Cash Flows from Financing Activities		
Increase in Restricted Cash	(465)	(1,491)
Payments on Mortgages Payable	<u>(43,497)</u>	<u>(57,907)</u>
Net Cash Flows from Financing Activities	<u>(43,962)</u>	<u>(59,398)</u>
Net Change in Cash and Cash Equivalents	58,585	104,620
Cash and Cash Equivalents - Beginning of Year	<u>745,925</u>	<u>641,305</u>
Cash and Cash Equivalents - End of Year	<u>\$ 804,510</u>	<u>745,925</u>
Supplemental Disclosure of Cash Flow Data		
Cash Paid During the Year for Interest	<u>\$ 18,452</u>	<u>20,607</u>

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

OPERATION THRESHOLD

Notes to Financial Statements

September 30, 2006

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 defined in Chapter 215A of 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, 2006.

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 generally 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 2006.

Construction in Progress – Housing Programs

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 is removed from the statements by a direct charge to fund balance. 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.

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, 2006.

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 \$3,949 for the year ended September 30, 2006, 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, 2005, from which the summarized information was derived. Certain reclassifications to the 2005 comparative totals have been made to conform to the 2006 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) (53% federally funded). 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-family housing and to assist low-income families to rent safe, affordable housing by providing rent and deposit assistance.

Project Care is funded by customer contributions to local utility companies. These companies provide funds to Operation Threshold to help provide assistance to low-income utility customers in local communities.

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>
Storks Nest	\$ 69,674
Community Services Block Grant (net of co-funding provided)	65,879
Family Nest	61,680
Emergency Shelter Grants Program	30,786
Emergency Food and Shelter Program (FEMA)	27,633
IHOEP - HUD Counseling	25,000
Volunteer Programs	14,432
Emergency Funds	13,926
State Housing Trust	10,954
Fannie Mae	8,363
Grundy County Food Pantry	4,962
WIC Food Breast Pump	4,207
Iowa Homeownership Education Project	3,800
Project Helper	3,684
Toy Project	3,660
Teen Trust	1,900
Other Programs and Local Activities	3,161
	<u>\$ 353,701</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, 2006, the Company had \$829,722 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	804,110	--
Restricted Cash Deposits		
Sinking Fund Reserve for Retirement of Bonds	--	57,838
Tenant Security Deposits and Escrow	--	20,009
	<u>\$ 804,510</u>	<u>77,847</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	\$ 141,606
Iowa Department of Human Rights	FaDSS	48,249
Iowa Department of Human Rights	LIHEAP	30,860
Iowa Department of Human Rights	HEAP	26,568
Iowa Institute For Community Alliances	ESGP	22,543
Iowa Homeownership Education Project	HUD Counseling	11,940
BDF Empowerment Board	BDF Nest Program	10,808
Cedar Valley Empowerment Board	Stork's Nest	7,796
Iowa Department of Human Services	Family Nest	7,125
City of Waterloo	HOME TBRA	5,564
Other Sources	Other Programs	16,634
		<u>\$ 329,693</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:

	<u>Cost</u>	<u>Current Depreciation</u>	<u>Accumulated Depreciation</u>	<u>Undepreciated Cost</u>
Land	\$ 39,740	--	--	39,740
Buildings and Improvements	1,608,777	60,717	667,730	941,047
Furniture and Equipment	524,214	24,583	481,333	42,881
	<u>\$ 2,172,731</u>	<u>85,300</u>	<u>1,149,063</u>	<u>1,023,668</u>

9. **Accrued Expenses**

Accrued expenses are summarized as follows:

Compensated Absences	\$ 29,432
Salaries and Wages	25,246
Payroll Taxes, Withholdings, and Benefits	29,029
Interest	3,033
	<u>\$ 86,740</u>

10. Due to Funding Sources

Amounts due to funding sources consist of the following:

City of Waterloo	
Program Income - LHAP	\$ 109,432
Resale Recapture Proceeds	17,992
Iowa Department of Public Health	
Advance for WIC Program Expenses	59,297
Iowa Department of Human Rights	
Regular Assistance Refunds - LIHEAP	47,963
	<u>\$ 234,684</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. Principal payments are due annually, and remaining principal payments total \$35,000 in 2007 and \$40,000 in 2008, plus accrued interest at 6.1%. This note is secured by an interest in the land and building financed.

The Organization has obtained three loans to provide funding for the construction of the Independence Housing Project (Lexington Square). 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 \$225,434.

The Iowa Department of Economic Development has provided a loan totaling \$99,992 under the Home Investment Partnership Program as additional funding for Lexington Square. 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 additional financing for Lexington Square totaling \$52,474. 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 \$43,416.

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

2007	\$ 43,900
2008	49,316
2009	9,947
2010	10,545
2011	11,161
2012 through 2022	318,973
	<u>\$ 443,842</u>

Interest expense for the year ended September 30, 2006, totaled \$19,972.

12. Deferred Revenue

Deferred revenue is summarized as follows:

<u>Program</u>	<u>Amount</u>
IHOEP	\$ 4,992
Anti-Predatory Lending	8,501
Teen Trust	100
	<u>\$ 13,593</u>

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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	\$ 287,207
Rehab Funds	32,862
Rehab Re-Use Funds	28,762
New Construction Funds	54,033
Hope 3 HOME	92,193
Local Housing Assistance	170,666
Lexington Square	<u>(61,461)</u>
	<u>\$ 604,262</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, 2006, totaled \$32,780.

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

2007	\$ 9,823
2008	9,823
2009	<u>9,823</u>
	<u>\$ 29,469</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 \$8,252.

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, 2006, was \$73,837, 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	\$ 114,239
	Disposals of Construction in Progress - Cost	(170,924)
C.D. HOME Rehab Re-Use	Disposals of Construction in Progress - Cost	(94,727)
C.D. HOME New	Disposals of Construction in Progress - Cost	(1,896)
C.D. HOME Rehab	Disposals of Construction in Progress - Cost	(54,534)
Local Housing Assistance	Disposals of Construction in Progress - Cost	<u>(88,914)</u>
	Total Net Disposals - Temporarily Restricted Funds	(296,756)
Cost Pools (Unrestricted)	Capital Items Acquired With Grant Funds	<u>4,100</u>
	Net Disposals of Capital Items Acquired With Grant Funds	<u>\$ (292,656)</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, 2006, and have issued our report thereon dated November 15, 2006. 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.

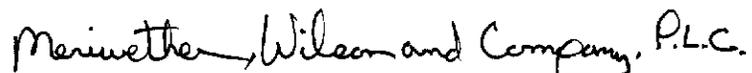
Internal Control over Financial Reporting

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 15, 2006
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, 2006. 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, 2006.

Internal Control over Compliance

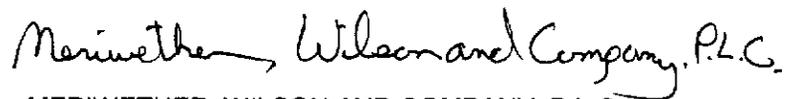
The management of Operation Threshold is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Operation Threshold's internal 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 15, 2006
West Des Moines, Iowa

OPERATION THRESHOLD

Schedule of Findings and Questioned Costs

Year Ended September 30, 2006

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, 2006.
2. No reportable conditions relating to the audit of the financial statements are reported in the auditor's report on compliance and on internal control over financial reporting.
3. 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.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. We issued an unqualified opinion in our report on compliance for major programs for the year ended September 30, 2006.
6. The results of our audit disclosed no audit findings which we are required to report under OMB Circular A-133.
7. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
8. The major federal awards expended by Operation Threshold for the year ended September 30, 2006, 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	\$ 3,815,144
Low-Income Home Energy Assistance Program and Home Energy Assistance Program	93.568	3,713,362
Weatherization Assistance Programs	81.042	362,942
Community Services Block Grant	93.569	454,199
		<u>\$ 8,345,647</u>

Expenditures for the Special Supplemental Nutrition Program for Women, Infants, and Children on this schedule include \$3,099,435 of noncash food vouchers distributed to eligible participants.

9. 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, 2005 Through September 30, 2006

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-06-11-A	\$ 3,090,854
Home Energy Assistance Program	93.568	HEAP 06-11A	270,749
		HEAP 05-11A	351,759
Total CFDA # 93.568			<u>3,713,362</u> **
Community Services Block Grant	93.569	CSBG-05-11-CA	454,199 **
Family Development and Self Sufficiency (53% Federal)	93.558	FaDSS 06-11-FA C	25,572
Family Development and Self Sufficiency (53% Federal)		FaDSS 06-11-FA	81,283
Total CFDA # 93.558			<u>106,855</u>
Total U.S. Department of Health and Human Services			<u>\$ 4,274,416</u>
U.S. Department of Housing and Urban Development			
Passed Through the City of Waterloo			
HOME Investment Partnership Program	14.239	HOME TBRA	\$ 5,763
		Re-Use Funds	165,813
		Hope 3 Home Funds	480
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>272,048</u>
Passed Through the City of Waterloo			
FHAP Partnership Initiative	14.401	FY 2004	564
Emergency Shelter Grants Program	14.231	05 ES-001	8,242
		06-II-07032	8,144
		06-II-07004	14,400
Total CFDA #14.231			<u>30,786</u>
Passed Through the Iowa Homeownership Education Program			
HUD Counseling / Anti-Predatory Lending	14.169	N/A	25,000
Total U.S. Department of Housing and Urban Development			<u>\$ 328,398</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	5886AO43	\$ 715,282
		5887AO95	427
Noncash - Food Vouchers for Distribution		5886AO43	3,099,435
Total CFDA #10.557 and U.S. Department of Agriculture			<u>\$ 3,815,144</u> **
U.S. Department of Energy			
Passed Through Iowa Department of Human Rights			
Weatherization Assistance Programs	81.042	DOE-06-11A	\$ 278,710
		DOE-05-11A	84,232
Total CFDA #81.042 and U.S. Department of Energy			<u>\$ 362,942</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	\$ 22,000
		22-2866-00	3,126
		22-2924-00	2,507
Total CFDA #97.042 and Department of Homeland Security			<u>\$ 27,633</u>
Total Expenditures of Federal Awards			<u>\$ 8,808,533</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, 2006

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, 2006

Assets	<u>Total All Funds</u>	<u>Interfund Eliminations</u>	<u>Undesignated and Agency Cost Pool Funds</u>
Current Assets			
Cash and Cash Investments	\$ 804,510	--	753,561
Receivables			
Awards and Contracts	329,693	--	9,451
Interfund Receivable	--	(62,000)	62,000
Prepaid Expenses	37,294	--	37,284
Weatherization Inventory	75,963	--	--
Total Current Assets	<u>1,247,460</u>	<u>(62,000)</u>	<u>862,296</u>
Noncurrent Assets			
Real Estate Contracts Receivable	12,926	--	--
Restricted Cash	77,847	--	192
Construction in Progress - Housing Programs	544,481	--	--
Total Noncurrent Assets	<u>635,254</u>	<u>--</u>	<u>192</u>
Property and Equipment			
Land, Buildings, and Improvements	1,648,517	--	388,642
Furniture and Equipment	524,214	--	519,822
Accumulated Depreciation	<u>(1,149,063)</u>	<u>--</u>	<u>(722,257)</u>
Net Property and Equipment	<u>1,023,668</u>	<u>--</u>	<u>186,207</u>
 Total Assets	 <u>\$ 2,906,382</u>	 <u>(62,000)</u>	 <u>1,048,695</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 63,180	--	20,482
Interfund Payable	--	(62,000)	--
Accrued Expenses	86,740	--	83,708
Mortgages Payable - Current Portion	43,900	--	--
Rent Deposits	20,009	--	192
Due to Funding Sources	234,684	--	17,992
Deferred Revenue	13,593	--	--
Total Current Liabilities	<u>462,106</u>	<u>(62,000)</u>	<u>122,374</u>
Deferred Revenue - Noncurrent	<u>12,926</u>	<u>--</u>	<u>--</u>
Long-Term Debt			
Mortgages Payable - Net of Current Portion	<u>399,942</u>	<u>--</u>	<u>--</u>
Net Assets			
Temporarily Restricted	604,262	--	--
Unrestricted			
Designated for Program Activities	336,840	--	278,637
Invested in Property and Equipment	628,829	--	186,207
Undesignated	461,477	--	461,477
Total Net Assets	<u>2,031,408</u>	<u>--</u>	<u>926,321</u>
 Total Liabilities and Net Assets	 <u>\$ 2,906,382</u>	 <u>(62,000)</u>	 <u>1,048,695</u>

OPERATION THRESHOLD
Combining Statement of Financial Position
 September 30, 2006

Total Designated Funds	Weatherization Assistance					
	LIHEAP	FaDSS	DOE	HEAP	Inventory	WIC
50,949	34,677	(39,814)	(1,552)	(26,568)	(5,559)	(38,344)
312,639	30,860	48,249	1,552	26,568	--	141,606
--	--	--	--	--	--	--
10	--	--	--	--	--	10
75,963	--	--	--	--	75,963	--
<u>439,561</u>	<u>65,537</u>	<u>8,435</u>	<u>--</u>	<u>--</u>	<u>70,404</u>	<u>103,272</u>
12,926	--	--	--	--	--	--
77,655	--	--	--	--	--	--
544,481	--	--	--	--	--	--
<u>635,062</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1,259,875	--	--	--	--	--	--
4,392	--	--	--	--	--	--
(426,806)	--	--	--	--	--	--
<u>837,461</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>1,912,084</u>	<u>65,537</u>	<u>8,435</u>	<u>--</u>	<u>--</u>	<u>70,404</u>	<u>103,272</u>
42,698	17,574	353	--	--	13,299	10,312
62,000	--	--	--	--	--	--
3,032	--	--	--	--	--	--
43,900	--	--	--	--	--	--
19,817	--	--	--	--	--	--
216,692	47,963	--	--	--	--	59,297
5,092	--	--	--	--	--	--
<u>393,231</u>	<u>65,537</u>	<u>353</u>	<u>--</u>	<u>--</u>	<u>13,299</u>	<u>69,609</u>
<u>12,926</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>399,942</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
604,262	--	--	--	--	--	--
59,101	--	8,082	--	--	57,105	33,663
442,622	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>1,105,985</u>	<u>--</u>	<u>8,082</u>	<u>--</u>	<u>--</u>	<u>57,105</u>	<u>33,663</u>
<u>1,912,084</u>	<u>65,537</u>	<u>8,435</u>	<u>--</u>	<u>--</u>	<u>70,404</u>	<u>103,272</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2006

Assets	Comm. Dev. HOME New Constr. Re-Use	Comm. Dev. HOME Rehab Re-Use	Comm. Dev. HOME Rehab Funds
Current Assets			
Cash and Cash Investments	\$ (116,227)	32,950	28,762
Receivables			
Awards and Contracts	--	--	--
Interfund Receivable	--	--	--
Prepaid Expenses	--	--	--
Weatherization Inventory	--	--	--
Total Current Assets	<u>(116,227)</u>	<u>32,950</u>	<u>28,762</u>
Noncurrent Assets			
Real Estate Contracts Receivable	--	--	--
Restricted Cash	--	--	--
Construction in Progress - Housing Programs	403,434	--	--
Total Noncurrent Assets	<u>403,434</u>	<u>--</u>	<u>--</u>
Property and Equipment			
Land, Buildings, and Improvements	--	--	--
Furniture and Equipment	--	--	--
Accumulated Depreciation	--	--	--
Net Property and Equipment	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u>\$ 287,207</u>	<u>32,950</u>	<u>28,762</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ --	88	--
Interfund Payable	--	--	--
Accrued Expenses	--	--	--
Mortgages Payable - Current Portion	--	--	--
Rent Deposits	--	--	--
Due to Funding Sources	--	--	--
Deferred Revenue	--	--	--
Total Current Liabilities	<u>--</u>	<u>88</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	287,207	32,862	28,762
Unrestricted			
Designated for Program Activities	--	--	--
Invested in Property and Equipment	--	--	--
Undesignated	--	--	--
Total Net Assets	<u>287,207</u>	<u>32,862</u>	<u>28,762</u>
Total Liabilities and Net Assets	<u>\$ 287,207</u>	<u>32,950</u>	<u>28,762</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued

September 30, 2006

Designated Funds

Comm. Dev. HOME New Constr.	Hope 3 Home	HOME TBRA	LHCB/CASH Course	Home Buyer Education	Waterloo Housing Partnership
36,777	92,193	(2,013)	4,083	2,678	479
--	--	5,563	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>36,777</u>	<u>92,193</u>	<u>3,550</u>	<u>4,083</u>	<u>2,678</u>	<u>479</u>
--	12,926	--	--	--	--
--	--	--	--	--	--
17,256	--	--	--	--	--
<u>17,256</u>	<u>12,926</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>54,033</u>	<u>105,119</u>	<u>3,550</u>	<u>4,083</u>	<u>2,678</u>	<u>479</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	12,926	--	--	--	--
--	--	--	--	--	--
54,033	92,193	--	--	--	--
--	--	3,550	4,083	2,678	479
--	--	--	--	--	--
--	--	--	--	--	--
<u>54,033</u>	<u>92,193</u>	<u>3,550</u>	<u>4,083</u>	<u>2,678</u>	<u>479</u>
<u>54,033</u>	<u>105,119</u>	<u>3,550</u>	<u>4,083</u>	<u>2,678</u>	<u>479</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2006

Assets	<u>Project Helper</u>	<u>Project Care/Share</u>
Current Assets		
Cash and Cash Investments	\$ 1,521	9,035
Receivables		
Awards and Contracts	--	--
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>1,521</u>	<u>9,035</u>
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	--	--
Construction in Progress - Housing Programs	--	--
Total Noncurrent Assets	<u>--</u>	<u>--</u>
Property and Equipment		
Land, Buildings, and Improvements	--	--
Furniture and Equipment	--	--
Accumulated Depreciation	--	--
Net Property and Equipment	<u>--</u>	<u>--</u>
Total Assets	<u>\$ 1,521</u>	<u>9,035</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ --	--
Interfund Payable	--	--
Accrued Expenses	--	--
Mortgages Payable - Current Portion	--	--
Rent Deposits	--	--
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	1,521	9,035
Invested in Property and Equipment	--	--
Undesignated	--	--
Total Net Assets	<u>1,521</u>	<u>9,035</u>
Total Liabilities and Net Assets	<u>\$ 1,521</u>	<u>9,035</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2006

<u>WIC Peer Counseling</u>	<u>WIC Farmers Market</u>	<u>WIC Special BF Fund</u>	<u>WIC Food Br Pump</u>	<u>Family Nest</u>	<u>Stork's Nest</u>
(6)	(284)	160	(1,878)	(6,714)	1,778
427	1,205	--	1,878	17,933	7,795
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>421</u>	<u>921</u>	<u>160</u>	<u>--</u>	<u>11,219</u>	<u>9,573</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>421</u>	<u>921</u>	<u>160</u>	<u>--</u>	<u>11,219</u>	<u>9,573</u>
421	--	--	--	38	8
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>421</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>38</u>	<u>8</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	921	160	--	11,181	9,565
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>921</u>	<u>160</u>	<u>--</u>	<u>11,181</u>	<u>9,565</u>
<u>421</u>	<u>921</u>	<u>160</u>	<u>--</u>	<u>11,219</u>	<u>9,573</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2006

	Canterbury Court Apartments	924 Lafayette Street
Assets		
Current Assets		
Cash and Cash Investments	\$ (304,856)	12,217
Receivables		
Awards and Contracts	--	--
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	(304,856)	12,217
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	69,957	475
Construction in Progress - Housing Programs	--	--
Total Noncurrent Assets	69,957	475
Property and Equipment		
Land, Buildings, and Improvements	476,426	57,315
Furniture and Equipment	4,392	--
Accumulated Depreciation	(198,610)	(24,116)
Net Property and Equipment	282,208	33,199
Total Assets	\$ 47,309	45,891
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 237	35
Interfund Payable	--	--
Accrued Expenses	1,533	--
Mortgages Payable - Current Portion	35,000	--
Rent Deposits	12,119	475
Due to Funding Sources	--	--
Deferred Revenue	--	--
Total Current Liabilities	48,889	510
Deferred Revenue - Noncurrent	--	--
Long-Term Debt		
Mortgages Payable - Net of Current Portion	40,000	--
Net Assets		
Temporarily Restricted	--	--
Unrestricted		
Designated for Program Activities	(248,788)	12,182
Invested in Property and Equipment	207,208	33,199
Undesignated	--	--
Total Net Assets	(41,580)	45,381
Total Liabilities and Net Assets	\$ 47,309	45,891

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2006

	Designated Funds				
Kingswood Apartments	302 Locust Street	1619 Franklin St.	Ankeny Single Family	Lexington Square	316/318 West 3rd Street
112,756	20,894	8,417	(29,346)	(12,160)	(72,987)
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>112,756</u>	<u>20,894</u>	<u>8,417</u>	<u>(29,346)</u>	<u>(12,160)</u>	<u>(72,987)</u>
--	--	--	--	--	--
2,545	752	380	673	2,588	285
--	--	--	--	--	--
<u>2,545</u>	<u>752</u>	<u>380</u>	<u>673</u>	<u>2,588</u>	<u>285</u>
49,982	96,857	10,478	68,811	412,433	87,573
--	--	--	--	--	--
(22,367)	(41,301)	(4,724)	(22,413)	(92,594)	(20,681)
<u>27,615</u>	<u>55,556</u>	<u>5,754</u>	<u>46,398</u>	<u>319,839</u>	<u>66,892</u>
<u>142,916</u>	<u>77,202</u>	<u>14,551</u>	<u>17,725</u>	<u>310,267</u>	<u>(5,810)</u>
--	--	4	--	(1,201)	2
--	--	--	--	--	62,000
--	--	--	--	1,499	--
--	--	--	--	8,900	--
2,545	752	380	673	2,588	285
--	--	--	--	--	--
--	--	--	--	--	--
<u>2,545</u>	<u>752</u>	<u>384</u>	<u>673</u>	<u>11,786</u>	<u>62,287</u>
--	--	--	--	--	--
--	--	--	--	359,942	--
--	--	--	--	(61,461)	--
--	--	--	--	--	--
112,756	20,894	8,413	(29,346)	--	(134,989)
27,615	55,556	5,754	46,398	--	66,892
--	--	--	--	--	--
<u>140,371</u>	<u>76,450</u>	<u>14,167</u>	<u>17,052</u>	<u>(61,461)</u>	<u>(68,097)</u>
<u>142,916</u>	<u>77,202</u>	<u>14,551</u>	<u>17,725</u>	<u>310,267</u>	<u>(5,810)</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
September 30, 2006

Assets	Local Housing Assist.	FHLB Affordable Housing
Current Assets		
Cash and Cash Investments	\$ 156,307	(84,033)
Receivables		
Awards and Contracts	--	--
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	156,307	(84,033)
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	--	--
Construction in Progress	123,791	--
Total Noncurrent Assets	123,791	--
Property and Equipment		
Land, Buildings, and Improvements	--	--
Furniture and Equipment	--	--
Accumulated Depreciation	--	--
Net Property and Equipment	--	--
Total Assets	\$ 280,098	(84,033)
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ --	--
Interfund Payable	--	--
Accrued Expenses	--	--
Mortgages Payable - Current Portion	--	--
Rent Deposits	--	--
Due to Funding Sources	109,432	--
Deferred Revenue	--	--
Total Current Liabilities	109,432	--
Deferred Revenue - Noncurrent	--	--
Long-Term Debt		
Mortgages Payable - Net of Current Portion	--	--
Net Assets		
Temporarily Restricted	170,666	--
Unrestricted		
Designated for Program Activities	--	(84,033)
Invested in Property and Equipment	--	--
Undesignated	--	--
Total Net Assets	170,666	(84,033)
Total Liabilities and Net Assets	\$ 280,098	(84,033)

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2006

Designated Funds

<u>Emergency Funds</u>	<u>Toy Project</u>	<u>Pocket Change Project</u>	<u>Emergency Shelter Grants Program</u>	<u>Teen Trust</u>	<u>School Supplies</u>	<u>Outreach Offices</u>
9,034	4,675	486	(22,543)	100	802	228,577
--	--	--	22,543	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>9,034</u>	<u>4,675</u>	<u>486</u>	<u>--</u>	<u>100</u>	<u>802</u>	<u>228,577</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>--</u>	<u>--</u>
<u>9,034</u>	<u>4,675</u>	<u>486</u>	<u>--</u>	<u>100</u>	<u>802</u>	<u>228,577</u>
--	--	--	--	--	--	1,460
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	100	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>100</u>	<u>--</u>	<u>1,460</u>
--	--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--	--
9,034	4,675	486	--	--	802	227,117
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>9,034</u>	<u>4,675</u>	<u>486</u>	<u>--</u>	<u>--</u>	<u>802</u>	<u>227,117</u>
<u>9,034</u>	<u>4,675</u>	<u>486</u>	<u>--</u>	<u>100</u>	<u>802</u>	<u>228,577</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
 September 30, 2006

	<u>IHOEP</u>	<u>IHOEP HUD Counseling</u>
Assets		
Current Assets		
Cash and Cash Investments	\$ 4,992	(11,940)
Receivables		
Awards and Contracts	--	11,940
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>4,992</u>	<u>--</u>
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	--	--
Construction in Progress - Housing Programs	--	--
Total Noncurrent Assets	<u>--</u>	<u>--</u>
Property and Equipment		
Land, Buildings, and Improvements	--	--
Furniture and Equipment	--	--
Accumulated Depreciation	--	--
Net Property and Equipment	<u>--</u>	<u>--</u>
Total Assets	<u>\$ 4,992</u>	<u>--</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ --	--
Interfund Payable	--	--
Accrued Expenses	--	--
Mortgages Payable - Current Portion	--	--
Rent Deposits	--	--
Due to Funding Sources	--	--
Deferred Revenue	4,992	--
Total Current Liabilities	<u>4,992</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	--	--
Invested in Property and Equipment	--	--
Undesignated	--	--
Total Net Assets	<u>--</u>	<u>--</u>
Total Liabilities and Net Assets	<u>\$ 4,992</u>	<u>--</u>

OPERATION THRESHOLD
Combining Statement of Financial Position - Continued
 September 30, 2006

<u>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>
8,545	169	6,771	9,396	(1,458)
--	--	641	--	1,482
--	--	--	--	--
--	--	--	--	--
<u>8,545</u>	<u>169</u>	<u>7,412</u>	<u>9,396</u>	<u>24</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>8,545</u>	<u>169</u>	<u>7,412</u>	<u>9,396</u>	<u>24</u>
44	--	--	--	24
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
8,501	--	--	--	--
<u>8,545</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>24</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>169</u>	<u>7,412</u>	<u>9,396</u>	<u>--</u>
--	--	--	--	--
<u>--</u>	<u>169</u>	<u>7,412</u>	<u>9,396</u>	<u>--</u>
<u>8,545</u>	<u>169</u>	<u>7,412</u>	<u>9,396</u>	<u>24</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Combining Statement of Activities
 Year Ended September 30, 2006

	<u>Total All Funds</u>	<u>Undesignated and Agency Cost Pool Funds</u>	<u>Total Designated Funds</u>
Support and Revenue			
Government Awards and Contract Revenue	\$ 5,975,347	--	5,975,347
Food Vouchers for Distribution	3,099,435	--	3,099,435
CSBG Co-funding Provided	--	81,705	(81,705)
Rental Income	271,640	--	271,640
Contributions, Public Support, and Services	464,420	46,567	417,853
Proceeds from Sales of Properties	59,597	--	59,597
Interest Income	11,634	10,697	937
Other Revenue	2,581	--	2,581
Total Support and Revenue	<u>9,884,654</u>	<u>138,969</u>	<u>9,745,685</u>
Expenses			
Program and General Expenses	6,827,150	1,419,850	5,407,300
Food Vouchers for Distribution	3,099,435	--	3,099,435
Depreciation	85,300	34,115	51,185
Interfund Expense Transfers	--	(1,398,077)	1,398,077
Total Expenses	<u>10,011,885</u>	<u>55,888</u>	<u>9,955,997</u>
Excess (Deficiency) of Support and Revenue Over Expenses Before Capital Additions	(127,231)	83,081	(210,312)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	(292,656)	4,100	(296,756)
Net Assets - Beginning of Year	<u>2,451,295</u>	<u>839,140</u>	<u>1,612,155</u>
Net Assets - End of Year	<u>\$ 2,031,408</u>	<u>926,321</u>	<u>1,105,087</u>

OPERATION THRESHOLD

Combining Statement of Activities

Year Ended September 30, 2006

Iowa Department of Human Rights/Division of Community Action Agencies						Ia. Dept. of Public Health
LIHEAP	CSBG	FaDSS	Weatherization Assistance			WIC
			DOE	HEAP	Inventory	
3,090,854	454,199	201,614	362,942	622,508	--	715,282
--	--	--	--	--	--	3,099,435
--	(388,320)	--	--	--	--	4,469
--	--	--	--	--	--	--
--	--	1,092	--	--	--	4,646
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>3,090,854</u>	<u>65,879</u>	<u>202,706</u>	<u>362,942</u>	<u>622,508</u>	<u>--</u>	<u>3,823,832</u>
3,016,129	20,461	187,058	72,562	148,087	--	640,947
--	--	--	--	--	--	3,099,435
--	--	--	--	--	--	--
74,725	45,418	7,566	290,380	474,421	--	78,814
<u>3,090,854</u>	<u>65,879</u>	<u>194,624</u>	<u>362,942</u>	<u>622,508</u>	<u>--</u>	<u>3,819,196</u>
--	--	8,082	--	--	--	4,636
--	--	--	--	--	--	--
--	--	--	--	--	57,105	29,129
<u>--</u>	<u>--</u>	<u>8,082</u>	<u>--</u>	<u>--</u>	<u>57,105</u>	<u>33,765</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

	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	\$ --	--	--
Food Vouchers for Distribution	--	--	--
CSBG Co-funding Provided	36,149	--	--
Rental Income	--	--	--
Contributions, Public Support, and Services	--	1,033	--
Proceeds from Sales of Properties	--	49,846	--
Interest Income	--	--	--
Other Revenue	--	--	--
Total Support and Revenue	<u>36,149</u>	<u>50,879</u>	<u>--</u>
Expenses			
Program and General Expenses	108,667	16,407	121,899
Food Vouchers for Distribution	--	--	--
Depreciation	--	--	--
Interfund Expense Transfers	35,835	4,904	--
Total Expenses	<u>144,502</u>	<u>21,311</u>	<u>121,899</u>
Excess (Deficiency) of Support and Revenue over Expenses	(108,353)	29,568	(121,899)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	(56,685)	(94,727)	(54,534)
Net Assets - Beginning of Year	<u>452,245</u>	<u>98,021</u>	<u>205,195</u>
Net Assets - End of Year	<u>\$ 287,207</u>	<u>32,862</u>	<u>28,762</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

Housing and Urban Development

Comm. Dev. HOME New Constr.	Hope 3 Home	HOME TBRA	Housing and Fair Lending	State Housing Trust	LHCB/CASH Course	Home Buyer Education	Waterloo Housing Partnership
--	--	5,563	564	10,954	--	--	--
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
--	3,098	3,750	--	--	1,215	--	--
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
<u>--</u>	<u>3,098</u>	<u>9,313</u>	<u>564</u>	<u>10,954</u>	<u>1,215</u>	<u>--</u>	<u>--</u>
--	480	5,763	564	10,000	716	--	--
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
--	--	--	--	954	(954)	--	--
<u>--</u>	<u>480</u>	<u>5,763</u>	<u>564</u>	<u>10,954</u>	<u>(238)</u>	<u>--</u>	<u>--</u>
--	2,618	3,550	--	--	1,453	--	--
(1,896)	--	--	--	--	--	--	--
<u>55,929</u>	<u>89,575</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,630</u>	<u>2,678</u>	<u>479</u>
<u>54,033</u>	<u>92,193</u>	<u>3,550</u>	<u>--</u>	<u>--</u>	<u>4,083</u>	<u>2,678</u>	<u>479</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

	Weatherization Assistance Utility Companies	Project Helper
Support and Revenue		
Government Awards and Contract Revenue	\$ 249,715	--
Food Vouchers for Distribution	--	--
CSBG Co-funding Provided	--	--
Rental Income	--	--
Contributions, Public Support, and Services	--	1,240
Proceeds from Sales of Properties	--	--
Interest Income	--	--
Other Revenue	--	--
Total Support and Revenue	<u>249,715</u>	<u>1,240</u>
Expenses		
Program and General Expenses	75,964	3,684
Food Vouchers for Distribution	--	--
Depreciation	--	--
Interfund Expense Transfers	173,751	--
Total Expenses	<u>249,715</u>	<u>3,684</u>
Excess (Deficiency) of Support and Revenue over Expenses	--	(2,444)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	<u>--</u>	<u>3,965</u>
Net Assets - End of Year	<u>\$ --</u>	<u>1,521</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

Local Government and Miscellaneous Funding Sources

<u>Project Care/Share</u>	<u>WIC Peer Counseling</u>	<u>WIC Farmers Market</u>	<u>WIC Special BF Fund</u>	<u>WIC Food Br Pump</u>	<u>Family Nest</u>	<u>Stork's Nest</u>
--	427	2,797	--	--	62,242	56,061
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
270,333	--	--	--	4,207	9,146	13,488
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>270,333</u>	<u>427</u>	<u>2,797</u>	<u>--</u>	<u>4,207</u>	<u>71,388</u>	<u>69,549</u>
267,852	427	102	--	4,207	55,141	61,773
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	6,539	7,901
<u>267,852</u>	<u>427</u>	<u>102</u>	<u>--</u>	<u>4,207</u>	<u>61,680</u>	<u>69,674</u>
2,481	--	2,695	--	--	9,708	(125)
--	--	--	--	--	--	--
<u>6,554</u>	<u>--</u>	<u>(1,876)</u>	<u>160</u>	<u>--</u>	<u>1,473</u>	<u>9,690</u>
<u>9,035</u>	<u>--</u>	<u>819</u>	<u>160</u>	<u>--</u>	<u>11,181</u>	<u>9,565</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

	<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	156,803	7,956
Contributions, Public Support, and Services	--	--
Proceeds from Sales of Properties	--	--
Interest Income	937	--
Other Revenue	1,787	--
Total Support and Revenue	<u>159,527</u>	<u>7,956</u>
Expenses		
Program and General Expenses	90,076	4,538
Food Vouchers for Distribution	--	--
Depreciation	19,266	2,296
Interfund Expense Transfers	43,382	2,686
Total Expenses	<u>152,724</u>	<u>9,520</u>
Excess (Deficiency) of Support and Revenue over Expenses	6,803	(1,564)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	<u>(48,383)</u>	<u>46,945</u>
Net Assets - End of Year	<u>\$ (41,580)</u>	<u>45,381</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

Local Government and Miscellaneous Funding Sources					
Kingswood Apartments	302 Locust Street	1619 Franklin St.	Ankeny Single Family	Lexington Square	316/318 West 3rd Street
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
36,011	9,807	5,317	8,086	28,035	19,625
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
552	182	--	--	20	40
<u>36,563</u>	<u>9,989</u>	<u>5,317</u>	<u>8,086</u>	<u>28,055</u>	<u>19,665</u>
11,414	2,585	2,492	2,811	26,445	25,300
--	--	--	--	--	--
2,654	4,030	489	5,349	13,916	3,185
5,475	1,272	1,030	1,308	8,436	10,421
<u>19,543</u>	<u>7,887</u>	<u>4,011</u>	<u>9,468</u>	<u>48,797</u>	<u>38,906</u>
17,020	2,102	1,306	(1,382)	(20,742)	(19,241)
--	--	--	--	--	--
<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>140,371</u>	<u>76,450</u>	<u>14,167</u>	<u>17,052</u>	<u>(61,461)</u>	<u>(68,097)</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

	Local Housing Assist.	FHLB Affordable Housing	Emergency Funds
Support and Revenue			
Government Awards and Contract Revenue	\$ --	26,607	--
Food Vouchers for Distribution	--	--	--
CSBG Co-funding Provided	--	--	--
Rental Income	--	--	--
Contributions, Public Support, and Services	--	--	19,107
Proceeds from Sales of Properties	9,751	--	--
Interest Income	--	--	--
Other Revenue	--	--	--
Total Support and Revenue	<u>9,751</u>	<u>26,607</u>	<u>19,107</u>
Expenses			
Program and General Expenses	--	71,029	13,926
Food Vouchers for Distribution	--	--	--
Depreciation	--	--	--
Interfund Expense Transfers	(6,918)	39,611	--
Total Expenses	<u>(6,918)</u>	<u>110,640</u>	<u>13,926</u>
Excess (Deficiency) of Support and Revenue over Expenses	16,669	(84,033)	5,181
Net Additions (Disposals) of Capital Items			
Acquired With Grant Funds	(88,914)	--	--
Net Assets - Beginning of Year	<u>242,911</u>	<u>--</u>	<u>3,853</u>
Net Assets - End of Year	<u>\$ 170,666</u>	<u>(84,033)</u>	<u>9,034</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

Local Government and Miscellaneous Funding Sources

<u>Fan Program</u>	<u>Toy Project</u>	<u>Pocket Change Project</u>	<u>Emergency Shelter Grants Program</u>	<u>Teen Trust</u>	<u>School Supplies</u>	<u>Outreach Offices</u>
--	--	--	30,786	1,900	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	265,997
--	--	--	--	--	--	--
100	3,713	500	--	--	275	73,865
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>100</u>	<u>3,713</u>	<u>500</u>	<u>30,786</u>	<u>1,900</u>	<u>275</u>	<u>339,862</u>
103	3,660	14	28,086	1,900	--	213,740
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	2,700	--	--	92,570
<u>103</u>	<u>3,660</u>	<u>14</u>	<u>30,786</u>	<u>1,900</u>	<u>--</u>	<u>306,310</u>
(3)	53	486	--	--	275	33,552
--	--	--	--	--	--	--
3	4,622	--	--	--	527	193,565
<u>--</u>	<u>4,675</u>	<u>486</u>	<u>--</u>	<u>--</u>	<u>802</u>	<u>227,117</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

	Emergency Food and Shelter (FEMA)	IHOEP
Support and Revenue		
Government Awards and Contract Revenue	\$ 27,633	3,800
Food Vouchers for Distribution	--	--
CSBG Co-funding Provided	--	--
Rental Income	--	--
Contributions, Public Support, and Services	--	--
Proceeds from Sales of Properties	--	--
Interest Income	--	--
Other Revenue	--	--
Total Support and Revenue	<u>27,633</u>	<u>3,800</u>
Expenses		
Program and General Expenses	27,633	3,300
Food Vouchers for Distribution	--	--
Depreciation	--	--
Interfund Expense Transfers	--	500
Total Expenses	<u>27,633</u>	<u>3,800</u>
Excess (Deficiency) of Support and Revenue over Expenses	--	--
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	<u>--</u>	<u>--</u>
Net Assets - End of Year	<u>\$ --</u>	<u>--</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2006

Local Government and Miscellaneous Funding Sources

<u>IHOEP HUD Counseling</u>	<u>Fannie Mae</u>	<u>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>
25,000	8,013	960	--	494	--	14,432
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	7,045	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>25,000</u>	<u>8,013</u>	<u>960</u>	<u>--</u>	<u>494</u>	<u>7,045</u>	<u>14,432</u>
--	329	41,936	--	991	4,962	11,140
--	--	--	--	--	--	--
--	--	--	--	--	--	--
25,000	8,034	(40,976)	--	--	--	3,292
<u>25,000</u>	<u>8,363</u>	<u>960</u>	<u>--</u>	<u>991</u>	<u>4,962</u>	<u>14,432</u>
--	(350)	--	--	(497)	2,083	--
--	--	--	--	--	--	--
--	350	--	169	7,909	7,313	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>169</u>	<u>7,412</u>	<u>9,396</u>	<u>--</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

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

September 30, 2006

Assets	<u>Total</u>	<u>Payroll Clearing</u>	<u>Agency</u>
Current Assets			
Cash and Cash Investments	\$ 753,561	83,719	377,433
Receivables			
Awards and Contracts	9,451	--	9,451
Interfund	62,000	--	62,000
Prepaid Expenses	37,284	--	36,734
Total Current Assets	<u>862,296</u>	<u>83,719</u>	<u>485,618</u>
Noncurrent Assets			
Restricted Cash	<u>192</u>	<u>--</u>	<u>--</u>
Property and Equipment			
Land, Buildings, and Improvements	388,642	--	388,642
Furniture and Equipment	519,822	--	116,348
Accumulated Depreciation	(722,257)	--	(361,662)
Net Property and Equipment	<u>186,207</u>	<u>--</u>	<u>143,328</u>
Total Assets	<u>\$ 1,048,695</u>	<u>83,719</u>	<u>628,946</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 20,482	11	40
Accrued Expenses	83,708	83,708	--
Rent Deposits	192	--	--
Due to Funding Sources	17,992	--	--
Total Current Liabilities	<u>122,374</u>	<u>83,719</u>	<u>40</u>
Net Assets			
Temporarily Restricted	--	--	--
Unrestricted			
Designated for Program Activities	278,637	--	24,101
Invested in Property and Equipment	186,207	--	143,328
Undesignated	461,477	--	461,477
Total Net Assets	<u>926,321</u>	<u>--</u>	<u>628,906</u>
Total Liabilities and Net Assets	<u>\$ 1,048,695</u>	<u>83,719</u>	<u>628,946</u>

OPERATION THRESHOLD

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

September 30, 2006

Undesignated and Agency Cost Pools								
<u>Equipment</u>	<u>Fiscal</u>	<u>Personnel</u>	<u>Admin. Services</u>	<u>Planning and Compliance</u>	<u>Building Operations</u>	<u>WX Admin. Support</u>	<u>Housing Support</u>	<u>Home Repair</u>
43,542	23,516	11,402	15,568	4,356	9,353	165,001	1,679	17,992
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	550	--	--	--	--	--	--	--
<u>43,542</u>	<u>24,066</u>	<u>11,402</u>	<u>15,568</u>	<u>4,356</u>	<u>9,353</u>	<u>165,001</u>	<u>1,679</u>	<u>17,992</u>
--	--	--	--	--	--	--	--	192
--	--	--	--	--	--	--	--	--
403,474	--	--	--	--	--	--	--	--
(360,595)	--	--	--	--	--	--	--	--
<u>42,879</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>86,421</u>	<u>24,066</u>	<u>11,402</u>	<u>15,568</u>	<u>4,356</u>	<u>9,353</u>	<u>165,001</u>	<u>1,679</u>	<u>17,992</u>
251	25	--	1,761	4,356	--	13,977	61	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	192
--	--	--	--	--	--	--	--	17,992
<u>251</u>	<u>25</u>	<u>--</u>	<u>1,761</u>	<u>4,356</u>	<u>--</u>	<u>13,977</u>	<u>61</u>	<u>18,184</u>
--	--	--	--	--	--	--	--	--
43,291	24,041	11,402	13,807	--	9,353	151,024	1,618	--
42,879	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
<u>86,170</u>	<u>24,041</u>	<u>11,402</u>	<u>13,807</u>	<u>--</u>	<u>9,353</u>	<u>151,024</u>	<u>1,618</u>	<u>--</u>
<u>86,421</u>	<u>24,066</u>	<u>11,402</u>	<u>15,568</u>	<u>4,356</u>	<u>9,353</u>	<u>165,001</u>	<u>1,679</u>	<u>18,184</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

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

Year Ended September 30, 2006

	<u>Total</u>	<u>Agency</u>	<u>Equipment</u>
Support and Revenue			
CSBG Co-funding Provided	\$ 81,705	--	--
Contributions, Public Support, and Services	46,567	9,898	30,926
Interest Income	10,697	10,697	--
Total Support and Revenue	<u>138,969</u>	<u>20,595</u>	<u>30,926</u>
Expenses			
Management and General Expenses	1,419,850	20,244	27,476
Depreciation	34,115	9,532	24,583
Interfund Expense Transfers	<u>(1,398,077)</u>	<u>(21,936)</u>	--
Total Expenses	<u>55,888</u>	<u>7,840</u>	<u>52,059</u>
Excess (Deficiency) of Support and Revenue over Expenses	83,081	12,755	(21,133)
Capital Additions - Equipment Fund	4,100	--	4,100
Net Assets - Beginning of Year	<u>839,140</u>	<u>616,151</u>	<u>103,203</u>
Net Assets - End of Year	<u>\$ 926,321</u>	<u>628,906</u>	<u>86,170</u>

OPERATION THRESHOLD

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

Year Ended September 30, 2006

Undesignated and Agency Cost Pools

<u>Wellness</u>	<u>Fiscal</u>	<u>Personnel</u>	<u>Admin. Services</u>	<u>Planning and Compliance</u>	<u>Bldg. Operations</u>	<u>WX Admin Support</u>	<u>Housing Support</u>	<u>Home Repair</u>
2,522	--	--	--	79,183	--	--	--	--
--	--	--	--	665	--	4,859	219	--
--	--	--	--	--	--	--	--	--
<u>2,522</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>79,848</u>	<u>--</u>	<u>4,859</u>	<u>219</u>	<u>--</u>
2,522	143,108	67,006	178,767	67,144	41,379	785,572	81,748	4,884
--	--	--	--	--	--	--	--	--
--	<u>(143,108)</u>	<u>(67,006)</u>	<u>(178,767)</u>	<u>12,704</u>	<u>(41,379)</u>	<u>(877,721)</u>	<u>(75,980)</u>	<u>(4,884)</u>
<u>2,522</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>79,848</u>	<u>--</u>	<u>(92,149)</u>	<u>5,768</u>	<u>--</u>
--	--	--	--	--	--	97,008	(5,549)	--
--	--	--	--	--	--	--	--	--
--	<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>--</u>	<u>24,041</u>	<u>11,402</u>	<u>13,807</u>	<u>--</u>	<u>9,353</u>	<u>151,024</u>	<u>1,618</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-05-11-CA
(Contract Period 10/01/04 - 9/30/06)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 10/01/05 - 9/30/06</u>
Space Costs	\$ 14,521	15,055
Equipment Costs	1,260	560
Consultants	10,000	11,000
Co-Funded Programs	382,185	388,320
Other Costs	<u>46,233</u>	<u>39,264</u>
 Total	 <u>\$454,199</u>	 <u>454,199</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-06-11-A
(Contract Period 10/01/05 - 9/30/06)

Cost Category	Approved Budget	Actual Expenses 10/01/05 - 9/30/06
Assistance Awards		
Regular Assistance	\$ 2,701,934	2,683,673
Energy Crisis Intervention	120,390	120,390
Client Services Assessment and Resolution	49,676	49,676
Summer Deliverable Fuel	61,940	61,940
Administration	175,175	175,175
 Total Grant Expenses	 \$ 3,109,115	 3,090,854

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. DOE-06-11A
(Contract Period 4/01/06 - 3/31/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 4/01/06 - 9/30/06</u>
Administration	\$ 23,347	23,347
Health and Safety	51,072	51,538
Support	66,205	23,941
Labor	69,043	97,822
Materials	69,043	82,062
Total	<u>\$ 278,710</u>	<u>278,710</u>

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

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses</u>		
		<u>Total</u>	<u>10/01/05 - 3/31/06</u>	<u>4/01/05 - 9/30/05</u>
Administration	\$ 22,659	22,659	7,040	15,619
Health and Safety	49,730	50,035	15,778	34,257
Support	64,465	54,366	--	54,366
Labor	67,227	84,897	35,175	49,722
Materials	67,227	59,351	26,239	33,112
Total	<u>\$ 271,308</u>	<u>271,308</u>	<u>84,232</u>	<u>187,076</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 06-11A
(Contract Period 4/01/06 - 3/31/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 4/01/06 - 9/30/06</u>
Administration	\$ 19,930	14,576
Health and Safety	69,872	58,632
Support	90,575	135,514
Labor	94,457	48,249
Materials	94,457	13,778
Equipment/Training	10,063	--
Total	\$ 379,354	270,749

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

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Total</u>	<u>Actual Expenses</u>	
			<u>10/01/05 - 3/31/06</u>	<u>4/01/05 - 9/30/05</u>
Administration	\$ 18,168	22,348	18,432	3,916
Health and Safety	63,533	99,704	75,024	24,680
Support	82,358	173,775	134,496	39,279
Labor	85,888	74,466	69,648	4,818
Materials	85,888	48,179	46,476	1,703
Equipment/Training	12,329	9,973	7,683	2,290
Total	\$ 348,164	428,445	351,759	76,686

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. IPL 06-11A
(Contract Period 1/01/06 - 12/31/06)

Cost Category	Approved Budget	Actual Expenses 1/01/06 - 9/30/06
Administration	\$ 1,640	1,640
Support	3,280	2,491
Labor	13,937	15,144
Materials	13,937	13,519
Total	\$ 32,794	32,794

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

Cost Category	Approved Budget	Actual Expenses		
		Total	10/01/05 - 12/31/05	1/01/05 - 9/30/05
Administration	\$ 1,640	1,640	685	955
Support	3,280	2,699	963	1,736
Labor	13,937	14,490	5,878	8,612
Materials	13,937	13,965	5,218	8,747
Total	\$ 32,794	32,794	12,744	20,050

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. MEC-06-11A
(Contract Period 1/01/06 - 12/31/06)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/06 - 9/30/06</u>
Administration	\$ 9,687	9,687
Support	19,374	16,677
Labor	82,342	96,085
Materials	<u>82,342</u>	<u>71,296</u>
Total	<u>\$ 193,745</u>	<u>193,745</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-06-11A
(Contract Period 1/01/06 - 12/31/06)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/06 - 9/30/06</u>
Administration	\$ 339	339
Support	680	232
Labor	2,885	3,571
Materials	<u>2,885</u>	<u>2,647</u>
Total	<u>\$ 6,789</u>	<u>6,789</u>

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

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses</u>		
		<u>Total</u>	<u>10/01/05 - 12/31/05</u>	<u>1/01/05 - 9/30/05</u>
Administration	\$ 332	332	189	143
Support	665	260	--	260
Labor	2,823	3,507	1,825	1,682
Materials	<u>2,823</u>	<u>2,544</u>	<u>1,629</u>	<u>915</u>
Total	<u>\$ 6,643</u>	<u>6,643</u>	<u>3,643</u>	<u>3,000</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 - Continuation
(Contract Period 7/01/06 - 1/01/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 7/01/06- 9/30/06</u>
Grant Expenses		
Administrative	\$ 22,449	5,534
Personnel	183,852	39,145
Travel	5,600	1,394
Space/Utilities	3,000	568
Other	7,006	1,608
Third Party Payments	--	--
Total Grant Expenses	<u>221,907</u>	<u>48,249</u>
Local Funds		
Administrative	1,700	--
Personnel	--	--
Travel	1,904	--
Space/Utilities	200	--
Other	3,553	281
Third Party Payments	1,133	127
Total Expenses	<u>\$ 230,397</u>	<u>48,657</u>

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</u>		
		<u>Total</u>	<u>10/01/05 - 6/30/06</u>	<u>7/01/05 - 9/30/05</u>
Grant Expenses				
Administrative	\$ 22,029	22,029	12,566	9,463
Personnel	172,179	172,318	130,595	41,723
Travel	5,600	5,875	4,011	1,864
Space/Utilities	3,000	2,448	1,459	989
Other	7,006	7,144	4,754	2,390
Third Party Payments	--	--	(20)	20
Total Grant Expenses	<u>209,814</u>	<u>209,814</u>	<u>153,365</u>	<u>56,449</u>
Local Funds				
Administrative	--	2,674	2,674	--
Personnel	--	1,357	1,357	--
Travel	540	1,509	1,509	--
Space/Utilities	1,422	209	209	--
Other	4,528	2,371	2,371	--
Third Party Payments	2,000	370	370	--
Total	<u>\$ 218,304</u>	<u>218,304</u>	<u>161,855</u>	<u>56,449</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. 5886A043

(Contract Period 10/01/05 - 9/30/06)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 10/01/05 - 9/30/06</u>
Cash Grant Expenses		
Salary/Fringe	\$ 615,407	638,651
Contracted/Outside Services	5,000	3,746
Other	94,875	72,885
Total Cash Grant Expenses	<u>715,282</u>	<u>715,282</u>
Other Expenses		
Salary/Fringe	<u>4,500</u>	<u>4,479</u>
Total Cash Grant and Other Expenses	<u>\$ 719,782</u>	<u>719,761</u>
Noncash Expenses		
Food Vouchers Distributed		<u>3,099,435</u>
Total Expenses		<u><u>3,819,196</u></u>

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