

COMMUNITY OPPORTUNITIES, INC.
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2006

COMMUNITY OPPORTUNITIES, INC.

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COMMUNITY OPPORTUNITIES, INC.

BOARD OF DIRECTORS

Executive Board of Directors

Eugene Meiners Chairperson
Dennis Dorman Vice Chairperson
Dan Kratoska Secretary-Treasurer

Board Members

<u>County</u>	<u>Representing</u>		
	<u>Government</u>	<u>Low-Income</u>	<u>Private</u>
Audubon	LaVerne Deist	Vacancy	Vacancy
Calhoun	Gary Nicholson	Vacancy	Jeff Larson
Carroll	Eugene Meiners	Cynthia Emery	Dan Kratoska
Dallas	Mark Hansen	Dennis Dorman	Barb Maier
Greene	Terry Adams	Erick Johnson	Vacancy
Guthrie	James Petersen	Vacancy	Jeffrey Lambrecht
Sac	Dean Stock	Vacancy	Barton Thoreson (resigned August, 2006)

Agency Officials

Chad Jensen Executive Director
Lynn Nulle Chief Financial Officer

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Community Opportunities, Inc. as of September 30, 2006 and the related statements of activities, functional expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Community Opportunities, Inc. as of and for the year ended September 30, 2006, and the results of its operations, changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2007 on our consideration of Community Opportunities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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.

To the Board of Directors
Community Opportunities, Inc.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included on Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Garnwood, Bell, Kyles & W. P. C.

Atlantic, Iowa
January 17, 2007

COMMUNITY OPPORTUNITIES, INC.
Statement of Financial Position
All Funds
September 30, 2006

ASSETS	<u>Administrative Fund</u>	<u>Program Funds</u>	<u>Plant Fund</u>	<u>Total</u>
Cash	\$ 160,496	\$ 29,722	\$ --	\$ 190,218
Investments	22,363	--	--	22,363
Receivables:				
Grantor agencies	--	415,290	--	415,290
Other sources	1,383	30,780	--	32,163
Prepaid expense	9,720	9,302	--	19,022
Inventory	7,936	--	--	7,936
Property and equipment at cost, less accumulated depreciation of \$473,868	<u>--</u>	<u>--</u>	<u>265,773</u>	<u>265,773</u>
Total Assets	<u>\$ 201,898</u>	<u>\$ 485,094</u>	<u>\$ 265,773</u>	<u>\$ 952,765</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Payables:				
Accounts	\$ 17,674	\$ 163,940	\$ --	\$ 181,614
Grantor agencies	--	28,140	--	28,140
Salaries and benefits	89,339	84,197	--	173,536
State advance	--	32,087	--	32,087
Deferred revenue	<u>--</u>	<u>56,186</u>	<u>--</u>	<u>56,186</u>
Total Liabilities	107,013	364,550	--	471,563
Net Assets				
Unrestricted	94,885	--	115,692	210,577
Temporarily restricted by grantor agencies	<u>--</u>	<u>120,544</u>	<u>150,081</u>	<u>270,625</u>
Total Net Assets	<u>94,885</u>	<u>120,544</u>	<u>265,773</u>	<u>481,202</u>
Total Liabilities and Net Assets	<u>\$ 201,898</u>	<u>\$ 485,094</u>	<u>\$ 265,773</u>	<u>\$ 952,765</u>

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
Statement of Activities
All Funds
Year Ended September 30, 2006

	Administrative Fund	Program Funds	Plant Fund	Total
Revenues:				
Governmental Funding Sources:				
Iowa Department of Human Rights	\$ --	\$ 2,749,144	\$ --	\$ 2,749,144
U.S. Department of Health and Human Services	--	1,967,819	--	1,967,819
Iowa Department of Public Health	--	601,420	--	601,420
Iowa Department of Education	--	376,272	--	376,272
Iowa Department of Economic Development	--	222,286	--	222,286
Various	--	285,109	--	285,109
In-Kind Contributions	--	428,897	--	428,897
Public Support and Contributions	274	272,509	--	272,783
Co-Funding	73,884	73,560	--	147,444
Investment Income	32,653	--	--	32,653
Investment in Plant	--	--	76,367	76,367
Miscellaneous	24,281	810,068	--	834,349
Total Revenues	131,092	7,787,084	76,367	7,994,543
Expenditures:				
Head Start	--	2,593,266	--	2,593,266
Community Services Block Grant (CSBG)	--	222,810	--	222,810
Low-Income Home Energy Assistance Program (LIHEAP)	--	1,914,186	--	1,914,186
Weatherization Assistance	--	401,296	--	401,296
Maternal and Child Health	--	273,478	--	273,478
Family Planning	--	141,032	--	141,032
Immunization	--	14,293	--	14,293
Abstinence Education	--	10,605	--	10,605
Women, Infants and Children (WIC)	--	319,653	--	319,653
Child and Adult Care Food Program (CACFP) - Homes	--	276,657	--	276,657
Home Investment Partnership Program	--	231,829	--	231,829
Other Programs	--	1,327,669	--	1,327,669
Administration	133,951	--	--	133,951
Depreciation and Disposal of Assets	--	--	53,984	53,984
Total Expenditures	133,951	7,726,774	53,984	7,914,709
Change in Net Assets	(2,859)	60,310	22,383	79,834
Net Assets at Beginning of Year	97,744	60,234	243,390	401,368
Net Assets at End of Year	<u>\$ 94,885</u>	<u>\$ 120,544</u>	<u>\$ 265,773</u>	<u>\$ 481,202</u>

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
Statement of Functional Expenditures
Administrative Fund and Program Funds
Year Ended September 30, 2006

	<u>Administrative Fund</u>	<u>Program Funds</u>	<u>Total</u>
Salaries and wages	\$ 282,560	\$ 1,729,338	\$ 2,011,898
Fringe benefits	40,141	423,852	463,993
Assistance to individuals	--	3,409,284	3,409,284
Professional fees and contracted services	24,217	300,431	324,648
Travel	10,996	98,554	109,550
Occupancy	8,565	142,885	151,450
Utilities and telephone	4,281	94,232	98,513
Supplies and materials	7,701	388,970	396,671
Equipment	359	121,679	122,038
Printing, publications and postage	1,216	35,767	36,983
Insurance	7,483	26,078	33,561
Miscellaneous	5,140	120,655	125,795
Co-funding	--	147,444	147,444
In-kind:			
Labor	--	170,410	170,410
Materials and other	--	258,487	258,487
	<hr/>	<hr/>	<hr/>
Total Expenditures Before Allocation of Indirect Costs	392,659	7,468,066	7,860,725
Allocation of indirect costs	<u>(258,708)</u>	<u>258,708</u>	<u>--</u>
Total Expenditures	<u>\$ 133,951</u>	<u>\$ 7,726,774</u>	<u>\$ 7,860,725</u>

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
Statement of Cash Flows
Year Ended September 30, 2006

Cash flows from operating activities:	
Cash received from State Agencies	\$ 3,934,981
Cash received from Federal Grantor	2,021,522
Contributions received	272,783
Investment income	10,290
Other receipts	1,110,168
Cash paid to employees and suppliers	<u>(7,225,483)</u>
Net cash provided by operating activities	124,261
Cash flows from investing activities:	
Property and equipment expenditures	<u>(76,367)</u>
Net increase in cash	47,894
Cash and cash equivalents at beginning of year	<u>142,324</u>
Cash and cash equivalents at end of year	<u><u>\$ 190,218</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 79,834
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and disposal of assets	53,984
Value of investment received through insurance demutualization	<u>(22,363)</u>
Changes in assets and liabilities	
Receivables	16,489
Prepaid expenses	768
Inventory	1,462
Payables	1,267
Deferred revenue	<u>(7,180)</u>
Total adjustments	<u>44,427</u>
Net cash provided by operating activities	<u><u>\$ 124,261</u></u>

See notes to financial statements.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Community Opportunities, Inc. administers various programs funded by Federal, State and local governmental bodies. Each program is accounted for as a separate fund. As indicated on Exhibit B, the Agency received approximately 59% of its revenues from two governmental funding sources. The Agency has renewed substantially all of these governmental funding sources for fiscal year October 1, 2006 to September 30, 2007.

B. Fund Accounting

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

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

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

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

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting

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

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

Purchases of property and equipment providing future benefits are recorded as expenses in the program at the time of purchase and capitalized in the plant fund.

D. Basis of Presentation

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

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

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

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

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

The accompanying schedule of expenditures of federal awards (page 19) includes the federal grant activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Assets, Liabilities and Net Assets

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

Cash and Cash Equivalents - The Agency considers demand deposits and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments - Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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

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

Receivables/Payables from Other Funds - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent that certain transactions between funds had not been paid or received as of September 30, 2006, balances of interfund amounts receivable or payable have been recorded.

Prepaid Expenses - Prepaid expenses consist of the unexpired portion of insurance premiums for Agency auto, liability, property damage, and worker's compensation coverage as of September 30, 2006.

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

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

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Expenditures for maintenance, repairs and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed of is deleted. No interest costs were capitalized since there were no qualifying assets.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenses at year end.

Compensated Absences - Employees of the Agency accumulate a limited amount of earned but unused vacation payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities of the Administrative Fund. This liability has been computed based on rates of pay in effect at September 30, 2006.

G. In-Kind Contributions

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

H. Total Column

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

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 2 - INDIRECT COST RATE AGREEMENT

Community Opportunities, Inc. entered into an Indirect Cost Rate Agreement with their cognizant agency, Department of Health and Human Services, setting a predetermined Indirect Cost Rate (15.0%) for fiscal year October 1, 2005 to September 30, 2006. The Indirect Cost allowed is calculated by multiplying the approved predetermined rate (15.0%) times the allocation base. The allocation base is the Agency's direct salaries and wages, excluding fringe benefits and is applicable to all programs. The use of the Indirect Cost Rate allows for an allocation process of the Agency's costs that are incurred for common or joint objectives and, therefore, cannot be readily and specifically identified with a particular project or activity.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Agency's deposits at September 30, 2006 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the Agency or the Agency's agent in the Agency's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Investments are stated as indicated in Note 1. The composition of investments is as set forth below:

Equity securities	<u>\$ 22,363</u>
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All equity securities are classified as available for sale. None of the \$22,363 of equity securities is covered by any form of insurance against loss.

Investment income for the year ended September 30, 2006 is comprised of the following:

Interest income	\$ 10,290
Value of securities received through insurance demutualization	<u>22,363</u>
	<u>\$ 32,653</u>

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment comprising the plant fund at September 30, 2006, categorized by acquiring program/source, is as follows:

<u>Acquiring Program/Source</u>	<u>Land and Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Child Adult Care Food Program	\$ --	\$ --	\$ 1,835	\$ 1,835
Community Building Investment Program	--	--	6,987	6,987
Community Services Block Grant	--	--	7,252	7,252
Head Start	18,244	172,929	117,928	309,101
Maternal Health/Child Health	--	--	4,599	4,599
Low Income Home Energy Assistance Program	--	--	96,106	96,106
Weatherization Assistance	--	19,609	42,176	61,785
Women, Infants and Children	--	--	7,822	7,822
Other Grantors	--	--	9,645	9,645
General Agency	210,000	--	17,473	227,473
United Way	--	--	7,036	7,036
Total Cost	<u>228,244</u>	<u>192,538</u>	<u>318,859</u>	<u>739,641</u>
Less Accumulated Depreciation	<u>(100,331)</u>	<u>(178,812)</u>	<u>(194,725)</u>	<u>(473,868)</u>
Net	<u>\$ 127,913</u>	<u>\$ 13,726</u>	<u>\$ 124,134</u>	<u>\$ 265,773</u>

The components of the Agency's accumulated depreciation at September 30, 2006 are as follows:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Balance Beginning of Year	\$ 90,589	\$ 174,890	\$ 373,525	\$ 639,004
Current Year Depreciation	9,742	3,922	40,320	53,984
Disposal of Assets	<u>--</u>	<u>--</u>	<u>(219,120)</u>	<u>(219,120)</u>
Balance End of Year	<u>\$ 100,331</u>	<u>\$ 178,812</u>	<u>\$ 194,725</u>	<u>\$ 473,868</u>

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 5 - LEASE COMMITMENT

Community Opportunities, Inc. leases office space under operating leases which may be canceled by either party by giving a thirty day notice in writing of their intention to vacate the lease. The Agency also leases vehicles, copy machines, and a mailing system under non-cancelable operating leases expiring through November, 2010.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2006 are as follows:

<u>Year Ending September 30,</u>	
2007	\$ 7,701
2008	6,837
2009	4,367
2010	<u>316</u>
Total minimum future rental payments	<u>\$ 19,221</u>

Rental expense under all operating leases for the year ended September 30, 2006 totaled approximately \$122,000.

NOTE 6 - PENSION AND RETIREMENT BENEFITS

Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.70% of their annual salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended September 30, 2006, 2005, and 2004 were approximately \$102,800, \$101,400, and \$110,300, respectively, equal to the required contribution for that year.

Tax-Sheltered Annuity

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

COMMUNITY OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2006

NOTE 6 - PENSION AND RETIREMENT BENEFITS - Continued

Under the terms of the plan, the Agency contributes an amount equal to 2 percent of the annual salary for each employee participating in the plan who elected not to participate in IPERS when the Agency began contributing to IPERS in October, 1996 (covered payroll). Each plan participant must contribute 1 percent of their annual salary and all such payments are accumulated and invested for individual participants of the plan. Amounts credited to individual participants are 100 percent vested immediately. The accumulated monies are paid upon a participant's retirement or termination.

For the year ended September 30, 2006, the Agency's contributions amounted to \$550 which is 2 percent of its current year covered payroll of \$27,500. Employees' contributions of all participants amounted to \$2,619. The Agency's total current year payroll for all employees was \$2,011,898.

NOTE 7 - CONTINGENCIES AND SUBSEQUENT EVENT

Line of Credit

The Agency has established an open-end line of credit with a local bank with a face amount of \$100,000. This agreement expires in February, 2007.

Federal Assistance Grants

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

Agency Risk Management

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

Subsequent Event

During the year ended September 30, 2006, the Agency began the process of combining their operations with the operations of New View Substance Abuse Treatment and Prevention Center (New View). New View's operations encompassed the care, maintenance, education and treatment of the substance abuser. Effective October 1, 2006, the assets, liabilities and operations of New View have been merged into the Agency, and New View is no longer a going concern. Also effective October 1, 2006, Community Opportunities, Inc. has changed its name to New Opportunities, Inc.

* * *

SUPPLEMENTAL INFORMATION

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Activities - Program Funds
Year Ended September 30, 2006

	<u>Head Start - Early Head Start</u>	<u>Early Head Start Empowerment</u>	<u>State Technical Assistance Program</u>
Revenues:			
Governmental Funding Sources:			
Iowa Department of Human Rights	\$ --	\$ --	\$ --
U.S. Department of Health and Human Services	1,944,929	--	22,890
Iowa Department of Public Health	--	--	--
Iowa Department of Education	99,615	--	--
Iowa Department of Economic Development	--	--	--
Various	--	127,904	--
In-Kind Contributions	428,897	--	--
Public Support and Contributions	--	--	--
Co-funding	--	--	--
Miscellaneous	<u>1,511</u>	<u>--</u>	<u>--</u>
Total Revenues	2,474,952	127,904	22,890
Expenditures:			
Salaries and wages	994,370	34,484	--
Fringe benefits	240,459	8,784	--
Assistance to individuals	--	--	--
Professional fees and contracted services	119,519	52,127	18,714
Travel	46,297	1,023	--
Occupancy	63,523	7,310	--
Utilities and telephone	34,762	2,246	--
Supplies and materials	278,526	4,704	--
Equipment	48,925	1,938	4,176
Printing, publications and postage	7,947	21	--
Insurance	7,776	--	--
Miscellaneous	54,795	504	--
Co-Funding	--	--	--
In-Kind:			
Labor	170,410	--	--
Materials and other	<u>258,487</u>	<u>--</u>	<u>--</u>
Total Expenditures Before Allocation of Indirect Costs	2,325,796	113,141	22,890
Allocation of Indirect Costs	<u>149,156</u>	<u>5,173</u>	<u>--</u>
Total Expenditures	<u>2,474,952</u>	<u>118,314</u>	<u>22,890</u>
Change in Net Assets	--	9,590	--
Net Assets (Liabilities) at Beginning of Year	<u>--</u>	<u>(108)</u>	<u>--</u>
Net Assets (Liabilities) at End of Year	<u>\$ --</u>	<u>\$ 9,482</u>	<u>\$ --</u>

(continued next page)

<u>Immigration Advocacy</u>	<u>CSBG</u>	<u>County Outreach</u>	<u>Housing Program</u>	<u>CACFP</u>	<u>WIC</u>
\$ --	\$ 222,810	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	306,703
--	--	--	--	276,657	--
30,050	--	35,902	222,286	--	--
--	--	--	4,805	--	11,254
843	--	150,060	--	--	--
8,352	--	37,936	4,688	--	--
--	--	3,627	50	--	1,696
<u>39,245</u>	<u>222,810</u>	<u>227,525</u>	<u>231,829</u>	<u>276,657</u>	<u>319,653</u>
18,373	33,180	43,045	15,729	22,916	161,280
4,116	8,740	12,748	3,290	5,109	41,492
--	1,087	64,267	204,594	223,824	--
--	1,759	49	141	35	16,250
2,115	4,008	6,450	2,315	5,304	11,927
6,167	3,924	28,053	446	1,484	9,819
3,345	3,236	19,573	530	1,273	4,806
152	2,903	3,663	147	7,839	36,251
742	639	2,395	101	2,185	829
146	7,118	1,108	575	2,009	3,235
276	--	2,514	24	104	341
1,057	3,795	28,598	1,529	1,136	9,233
--	147,444	--	--	--	--
--	--	--	--	--	--
<u>36,489</u>	<u>217,833</u>	<u>212,463</u>	<u>229,421</u>	<u>273,218</u>	<u>295,463</u>
<u>2,756</u>	<u>4,977</u>	<u>6,457</u>	<u>2,408</u>	<u>3,439</u>	<u>24,190</u>
<u>39,245</u>	<u>222,810</u>	<u>218,920</u>	<u>231,829</u>	<u>276,657</u>	<u>319,653</u>
--	--	8,605	--	--	--
<u>2,885</u>	<u>--</u>	<u>20,105</u>	<u>1,062</u>	<u>--</u>	<u>102</u>
<u>\$ 2,885</u>	<u>\$ --</u>	<u>\$ 28,710</u>	<u>\$ 1,062</u>	<u>\$ --</u>	<u>\$ 102</u>

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Activities - Program Funds - Continued
Year Ended September 30, 2006

	<u>Child Health</u>	<u>Dental Health</u>	<u>Maternal Health</u>
Revenues:			
Governmental Funding Sources:			
Iowa Department of Human Rights	\$ --	\$ --	\$ --
U.S. Department of Health and Human Services	--	--	--
Iowa Department of Public Health	94,482	13,175	49,575
Iowa Department of Education	--	--	--
Iowa Department of Economic Development	--	--	--
Various	--	--	--
In-Kind Contributions	--	--	--
Public Support and Contributions	--	--	--
Co-funding	2,175	--	--
Miscellaneous	<u>88,299</u>	<u>--</u>	<u>48,539</u>
 Total Revenues	 184,956	 13,175	 98,114
Expenditures:			
Salaries and wages	103,111	715	44,619
Fringe benefits	23,998	168	10,181
Assistance to individuals	--	--	--
Professional fees and contracted services	19,869	12,167	1,445
Travel	3,180	18	684
Occupancy	4,818	--	2,067
Utilities and telephone	5,026	--	1,520
Supplies and materials	11,574	--	9,169
Equipment	905	--	727
Printing, publications and postage	3,134	--	465
Insurance	789	--	130
Miscellaneous	3,593	--	315
Co-Funding	--	--	--
In-Kind:			
Labor	--	--	--
Materials and other	<u>--</u>	<u>--</u>	<u>--</u>
 Total Expenditures Before Allocation of Indirect Costs	 179,997	 13,068	 71,322
Allocation of Indirect Costs	<u>15,468</u>	<u>107</u>	<u>6,691</u>
 Total Expenditures	 <u>195,465</u>	 <u>13,175</u>	 <u>78,013</u>
Change in Net Assets	(10,509)	--	20,101
Net Assets (Liabilities) at Beginning of Year	<u>--</u>	<u>--</u>	<u>--</u>
Net Assets (Liabilities) at End of Year	<u><u>\$ (10,509)</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 20,101</u></u>

(continued next page)

<u>Family Planning</u>	<u>Hawk-I</u>	<u>ABCD</u>	<u>Abstinence Education</u>	<u>Immunization</u>	<u>Pregnancy Prevention</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
62,501	10,173	1,837	10,605	13,732	9,028
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
17,702	525	--	--	582	--
<u>60,829</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
141,032	10,698	1,837	10,605	14,314	9,028
57,291	3,500	--	4,739	2,908	1,465
13,483	792	--	1,034	614	286
--	--	--	--	--	--
20,316	3,695	--	--	10,098	295
4,596	596	--	363	150	1,199
6,343	--	--	--	--	--
3,006	--	--	--	--	--
15,398	1,590	1,490	162	85	5,113
5,848	--	--	--	--	--
2,284	--	--	100	2	1
316	--	--	--	--	--
3,557	--	347	3,496	--	450
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
132,438	10,173	1,837	9,894	13,857	8,809
<u>8,594</u>	<u>525</u>	<u>--</u>	<u>711</u>	<u>436</u>	<u>219</u>
<u>141,032</u>	<u>10,698</u>	<u>1,837</u>	<u>10,605</u>	<u>14,293</u>	<u>9,028</u>
--	--	--	--	21	--
<u>--</u>	<u>--</u>	<u>200</u>	<u>--</u>	<u>(271)</u>	<u>--</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 200</u>	<u>\$ --</u>	<u>\$(250)</u>	<u>\$ --</u>

COMMUNITY OPPORTUNITIES, INC.
Combining Statement of Activities - Program Funds - Continued
Year Ended September 30, 2006

	<u>Choreperson</u>	<u>Child Lead</u>	<u>LIHEAP</u>
Revenues:			
Governmental Funding Sources:			
Iowa Department of Human Rights	\$ --	\$ --	\$ 1,914,186
U.S. Department of Health and Human Services	--	--	--
Iowa Department of Public Health	--	29,609	--
Iowa Department of Education	--	--	--
Iowa Department of Economic Development	--	--	--
Various	25,293	--	--
In-Kind Contributions	--	--	--
Public Support and Contributions	--	--	--
Co-funding	--	209	--
Miscellaneous	--	38,037	--
	<hr/>	<hr/>	<hr/>
Total Revenues	25,293	67,855	1,914,186
Expenditures:			
Salaries and wages	5,529	28,121	77,512
Fringe benefits	1,770	5,875	21,583
Assistance to individuals	18,378	--	1,769,502
Professional fees and contracted services	--	10,412	731
Travel	--	326	1,510
Occupancy	--	217	1,182
Utilities and telephone	--	58	5,554
Supplies and materials	53	3,640	1,691
Equipment	--	4,808	16,050
Printing, publications and postage	214	483	6,186
Insurance	--	234	59
Miscellaneous	75	554	595
Co-Funding	--	--	--
In-Kind:			
Labor	--	--	--
Materials and other	--	--	--
	<hr/>	<hr/>	<hr/>
Total Expenditures Before Allocation of Indirect Costs	26,019	54,728	1,902,155
Allocation of Indirect Costs	<hr/> 829	<hr/> 4,218	<hr/> 12,031
Total Expenditures	<hr/> 26,848	<hr/> 58,946	<hr/> 1,914,186
Change in Net Assets	(1,555)	8,909	--
Net Assets (Liabilities) at Beginning of Year	<hr/> 2,324	<hr/> --	<hr/> --
Net Assets (Liabilities) at End of Year	<hr/> <u>\$ 769</u>	<hr/> <u>\$ 8,909</u>	<hr/> <u>\$ --</u>

See accompanying independent auditor's report.

<u>Weatherization Assistance Programs</u>				
<u>HEAP</u>	<u>Department of Energy</u>	<u>Utility Company</u>	<u>Other</u>	<u>Total</u>
\$ 190,396	\$ 210,900	\$ 210,852	\$ --	\$ 2,749,144
--	--	--	--	1,967,819
--	--	--	--	601,420
--	--	--	--	376,272
--	--	--	--	222,286
--	--	--	49,901	285,109
--	--	--	--	428,897
--	--	--	121,606	272,509
--	--	--	1,391	73,560
--	--	--	567,480	810,068
190,396	210,900	210,852	740,378	7,787,084
--	--	--	76,451	1,729,338
--	--	--	19,330	423,852
190,396	210,900	210,852	515,484	3,409,284
--	--	--	12,809	300,431
--	--	--	6,493	98,554
--	--	--	7,532	142,885
--	--	--	9,297	94,232
--	--	--	4,820	388,970
--	--	--	31,411	121,679
--	--	--	739	35,767
--	--	--	13,515	26,078
--	--	--	7,026	120,655
--	--	--	--	147,444
--	--	--	--	170,410
--	--	--	--	258,487
190,396	210,900	210,852	704,907	7,468,066
--	--	--	10,323	258,708
190,396	210,900	210,852	715,230	7,726,774
--	--	--	25,148	60,310
--	--	--	33,935	60,234
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 59,083</u>	<u>\$ 120,544</u>

COMMUNITY OPPORTUNITIES, INC.
Schedule of Expenditures of Federal Awards*
Year Ended September 30, 2006

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant or Program Number
U.S. Department of Health and Human Services		
Direct Programs		
Head Start Program	93.600	07CH 6107/39
Head Start Program	93.600	07CH 6107/40
Early Head Start	93.600	07CH 6107/39
Early Head Start	93.600	07CH 6107/40
Special State Technical Assistance Program	93.569	90EZ0040/01
<i>Subtotal Direct Programs</i>		
Indirect Programs		
Iowa Department of Human Rights		
Community Services Block Grant	93.569	CSBG 06-01CB
Low-Income Home Energy Assistance Program	93.568	LIHEAP-06-01-B
HEAP Weatherization	N/A	HEAP 05-01B
HEAP Weatherization	N/A	HEAP 06-01B
Iowa Department of Public Health		
Maternal Health	93.994	5886 MH07
Child Health	93.994	5886 MH07
Dental Health	93.994	5886 MH07
Family Planning	93.217	5886 MH07
I-4 Project (Immunization)	93.268	5885 I438
I-4 Project (Immunization)	93.268	5886 I438
Childhood Lead Poisoning Prevention Program	93.197	5886 L12
Abstinence Only Education	93.235	5886 AB44
Community for Adolescent Pregnancy Prevention	93.558	CAPP-06-062
Community for Adolescent Pregnancy Prevention	93.558	CAPP-06-062
<i>Subtotal Indirect Programs</i>		
<i>Total U.S. Department of Health and Human Services</i>		
U.S. Department of Energy		
Indirect Programs		
Iowa Department of Human Rights		
Weatherization Assistance	81.042	DOE 05-01 B
Weatherization Assistance	81.042	DOE 06-01 B
<i>Total U.S. Department of Energy</i>		
U.S. Department of Agriculture		
Indirect Programs		
Iowa Department of Public Health		
Special Supplemental Food Program for Women, Infants and Children	10.557	5886 A033
Iowa Department of Education		
Child and Adult Care Food Program (Day Care Homes)	10.558	14-8015
Child and Adult Care Food Program (Head Start)	10.558	14-8010
<i>Total U.S. Department of Agriculture</i>		
U.S. Department of Housing and Urban Development		
Indirect Program		
Iowa Department of Economic Development		
Home Investment Partnership Program	14.239	00 HM 205
Total Expenditures of Federal Awards		

* See Notes to Financial Statements for Basis of Presentation.

See accompanying independent auditor's report.

<u>Period of Grant</u>	<u>Federal Expenditures</u>
12/01/04 - 11/30/05	\$ 295,996
12/01/05 - 11/30/06	1,207,286
12/01/04 - 11/30/05	114,931
12/01/05 - 11/30/06	326,716
09/30/04 - 02/28/06	<u>22,890</u>
	1,967,819
10/01/05 - 09/30/06	222,810
10/01/05 - 09/30/06	1,796,766
04/01/05 - 03/31/06	150,170
04/01/06 - 03/31/07	40,226
10/01/05 - 09/30/06	49,575
10/01/05 - 09/30/06	94,482
10/01/05 - 09/30/06	13,175
10/01/05 - 09/30/06	62,501
01/01/05 - 12/31/05	2,775
01/01/06 - 12/31/06	5,733
07/01/05 - 06/30/06	29,609
10/01/05 - 09/30/06	10,605
03/01/06 - 06/30/06	7,104
07/01/06 - 09/30/06	<u>1,924</u>
	<u>2,487,455</u>
	<u>4,455,274</u>
04/01/05 - 03/31/06	108,823
04/01/06 - 03/31/07	<u>102,077</u>
	<u>210,900</u>
10/01/05 - 09/30/06	306,703
10/01/05 - 09/30/06	276,657
10/01/05 - 09/30/06	<u>99,615</u>
	<u>682,975</u>
03/10/00 - 03/31/06	<u>222,286</u>
	<u>\$ 5,571,435</u>

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Community Services Block Grant
 Year Ended September 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number CSBG 06-01CB</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 222,810	\$ 222,810	\$ --
Program Expenditures:			
Personnel	\$ 41,920	\$ 41,920	\$ --
Travel	4,008	4,008	--
Space Costs	1,640	1,640	--
Equipment	758	758	--
Consultants	1,340	1,340	--
Co-Funded Programs	147,444	147,444	--
Other Costs	20,723	20,723	--
Indirect Costs	4,977	4,977	--
Total Expenditures	<u>\$ 222,810</u>	<u>\$ 222,810</u>	<u>\$ --</u>

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Low-Income Home Energy Assistance Program
 Year Ended September 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number LIHEAP-06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 1,941,031	\$ 1,914,186	\$ 26,845
Program Expenditures:			
Regular Assistance	\$ 1,587,090	\$ 1,583,363	\$ 3,727
Energy Crisis Intervention Payments	77,468	54,352	23,116
Client Services	31,964	31,962	2
Summer Deliverable Fuel Program	131,787	131,787	--
Administration Costs	<u>112,722</u>	<u>112,722</u>	<u>--</u>
Total Expenditures	<u>\$ 1,941,031</u>	<u>\$ 1,914,186</u>	<u>\$ 26,845</u>

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number HEAP 05-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 249,164	\$ 150,170	\$ 98,994
Program Expenditures:			
Administration Costs	\$ 13,664	\$ 2,543	\$ 11,121
Weatherization Materials	63,110	30,931	32,179
Support Costs	41,671	40,779	892
Labor	63,603	52,880	10,723
Health and Safety	37,819	23,037	14,782
Equipment and Training	29,297	--	29,297
Total Expenditures	<u>\$ 249,164</u>	<u>\$ 150,170</u>	<u>\$ 98,994</u>
<u>Contract Number HEAP 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 301,385	\$ 40,226	\$ 261,159
Program Expenditures:			
Administration Costs	\$ 14,298	\$ --	\$ 14,298
Weatherization Materials	66,995	2,582	64,413
Support Costs	64,242	36,891	27,351
Labor	66,995	262	66,733
Health and Safety	49,558	491	49,067
Equipment and Training	39,297	--	39,297
Total Expenditures	<u>\$ 301,385</u>	<u>\$ 40,226</u>	<u>\$ 261,159</u>

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number DOE 05-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 108,823	\$ 108,823	\$ --
Program Expenditures:			
Administration Costs	\$ 12,511	\$ 12,511	\$ --
Weatherization Materials	23,345	35,561	(12,216)
Support Costs	34,267	4,931	29,336
Labor	18,251	35,239	(16,988)
Health and Safety	20,449	20,581	(132)
Total Expenditures	<u>\$ 108,823</u>	<u>\$ 108,823</u>	<u>\$ --</u>
<u>Contract Number DOE 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 199,920	\$ 102,077	\$ 97,843
Program Expenditures:			
Administration Costs	\$ 23,347	\$ 17,516	\$ 5,831
Weatherization Materials	47,740	22,517	25,223
Support Costs	45,778	22,575	23,203
Labor	47,740	28,184	19,556
Health and Safety	35,315	11,285	24,030
Total Expenditures	<u>\$ 199,920</u>	<u>\$ 102,077</u>	<u>\$ 97,843</u>

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number IPL 05-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 32,811	\$ 32,811	\$ --
Program Expenditures:			
Administrative Costs	\$ 2,843	\$ --	\$ 2,843
Weatherization Materials	13,667	15,306	(1,639)
Support Costs	4,425	2,988	1,437
Labor	<u>11,876</u>	<u>14,517</u>	<u>(2,641)</u>
Total Expenditures	<u>\$ 32,811</u>	<u>\$ 32,811</u>	<u>\$ --</u>
<u>Contract Number MEC 05-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 49,573	\$ 49,573	\$ --
Program Expenditures:			
Administrative Costs	\$ 4,307	\$ --	\$ 4,307
Weatherization Materials	18,817	23,621	(4,804)
Support Costs	7,191	5,973	1,218
Labor	<u>19,258</u>	<u>19,979</u>	<u>(721)</u>
Total Expenditures	<u>\$ 49,573</u>	<u>\$ 49,573</u>	<u>\$ --</u>

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number AQU 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 18,193	\$ 8,407	\$ 9,786
Program Expenditures:			
Administrative Costs	\$ 910	\$ 910	\$ --
Weatherization Materials	7,732	3,546	4,186
Support Costs	1,819	1,250	569
Labor	<u>7,732</u>	<u>2,701</u>	<u>5,031</u>
Total Expenditures	<u>\$ 18,193</u>	<u>\$ 8,407</u>	<u>\$ 9,786</u>
<u>Contract Number IPL 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 79,857	\$ 72,802	\$ 7,055
Program Expenditures:			
Administrative Costs	\$ 3,843	\$ 2,843	\$ 1,000
Weatherization Materials	34,164	30,785	3,379
Support Costs	7,686	6,603	1,083
Labor	<u>34,164</u>	<u>32,571</u>	<u>1,593</u>
Total Expenditures	<u>\$ 79,857</u>	<u>\$ 72,802</u>	<u>\$ 7,055</u>
<u>Contract Number MEC 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 86,138	\$ 47,259	\$ 38,879
Program Expenditures:			
Administrative Costs	\$ 4,306	\$ --	\$ 4,306
Weatherization Materials	36,609	22,392	14,217
Support Costs	8,614	5,175	3,439
Labor	<u>36,609</u>	<u>19,692</u>	<u>16,917</u>
Total Expenditures	<u>\$ 86,138</u>	<u>\$ 47,259</u>	<u>\$ 38,879</u>

See accompanying independent auditor's report.

COMMUNITY OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures
 Administrative Fund
 Year Ended September 30, 2006

	<u>Miscellaneous</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Revenues:			
Public Support and Contributions	\$ 274	\$ --	\$ 274
CSBG Co-Funding	--	73,884	73,884
Investment Income	32,653	--	32,653
Miscellaneous	<u>8,820</u>	<u>15,461</u>	<u>24,281</u>
Total Revenues	<u>\$ 41,747</u>	<u>\$ 89,345</u>	<u>\$ 131,092</u>
Expenditures:			
Salaries and Wages	\$ 36,309	\$ 246,251	\$ 282,560
Fringe Benefits	--	40,141	40,141
Professional Fees and Contracted Services	5,224	18,993	24,217
Travel	20	10,976	10,996
Occupancy	--	8,565	8,565
Utilities and Telephone	11	4,270	4,281
Supplies and Materials	62	7,639	7,701
Equipment	1,300	(941)	359
Printing, Publications and Postage	137	1,079	1,216
Insurance	--	7,483	7,483
Miscellaneous	<u>1,543</u>	<u>3,597</u>	<u>5,140</u>
Total Expenditures Before Allocation of Indirect Costs	44,606	348,053	392,659
Allocation of Indirect Costs	<u>--</u>	<u>(258,708)</u>	<u>(258,708)</u>
Total Expenditures	<u>\$ 44,606</u>	<u>\$ 89,345</u>	<u>\$ 133,951</u>

See accompanying independent auditor's report.

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

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of Community Opportunities, Inc. as of and for the year ended September 30, 2006, and have issued our report thereon dated January 17, 2007. 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 Community Opportunities, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Community Opportunities, Inc.'s ability to record, process, summarize and report financial data consistent with the assertion of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

To the Board of Directors of
Community Opportunities, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Opportunities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

Demerold, Bell, Kuhn & Co. P.C.

Atlantic, Iowa
January 17, 2007

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

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance In Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Community Opportunities, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. Community Opportunities, Inc.'s major federal programs are identified in the summary of auditor's results section in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Community Opportunities, Inc.'s management. Our responsibility is to express an opinion on Community Opportunities, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and 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 Community Opportunities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Community Opportunities, Inc.'s compliance with those requirements.

In our opinion Community Opportunities, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

To the Board of Directors of
Community Opportunities, Inc.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Community Opportunities, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

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

Granowold, Bell, Hyman + Co. P.C.

Atlantic, Iowa
January 17, 2007

COMMUNITY OPPORTUNITIES, INC.
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.600 - Head Start Program
 - CFDA Number 93.568 - Low-Income Home Energy Assistance Program
 - CFDA Number 10.558 - Child and Adult Care Food Program
 - CFDA Number 10.557 - Special Supplemental Food Program for Women, Infants and Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Community Opportunities, Inc. did not qualify as a low-risk auditee.

COMMUNITY OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended September 30, 2006.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Agency.

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

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

Conclusion: Response accepted.

COMMUNITY OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended September 30, 2006.

REPORTABLE CONDITIONS:

CFDA Number 93.600 - Head Start and Early Head Start Programs

Agency Numbers: 07CH 6107(39) and 07CH 6107(40)

Federal Award Years: 2005 and 2006

U.S. Department of Health and Human Services

CFDA Number 93.568 - Low-Income Home Energy Assistance Program

Pass-through Numbers: LIHEAP-06-01-B

Federal Award Year: 2006

U.S. Department of Health and Human Services

Passed through the Iowa Department of Human Rights

CFDA Number 10.558 - Child and Adult Care Food Program

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

Federal Award Year: 2006

U.S. Department of Agriculture

Passed through the Iowa Department of Education

CFDA Number 10.557 - Special Supplemental Food Program for Women, Infants and Children

Agency Numbers: 5886 A033

Federal Award Year: 2006

U.S. Department of Agriculture

Passed through the Iowa Department of Public Health

III-A-06 Segregation of Duties over Federal Revenues and Expenditures - The Agency did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding II-A-06.

COMMUNITY OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Deposit and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted; however it was noted the Agency does not have an investment policy. In addition a resolution naming official depositories has not been adopted by the Agency.

Recommendation: The Agency should create an investment policy and a resolution in amounts sufficient to cover anticipated balances, at all approved depositories. This resolution should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response: An investment policy and a resolution will be adopted by the Agency in accordance with Chapter 12C of the Code of Iowa.

Conclusion: Response accepted.

* * *