

OPERATION THRESHOLD

Waterloo, Iowa

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

September 30, 2007

(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
Julia Eckerman
Barbara Smith

Chairperson
Vice-Chairperson
Secretary
Treasurer

Board Members

Mike Ferreter
Scott Jordan
Barbara Prather
Joyce Hunter
Rev. Larry Doughan

Jill Hidalgo
Denise Hawker
Allen Ricks
Ranee Beyer

Management

Barbara A. Grant
Lori Miller
Nancy Anderson
Leian Kammeyer
Craig Boche
Clarissa Nicholson

Executive Director
Community Resources Director
WIC Director
Fiscal Director
Human Resources Director
Planning and Compliance Director

CRAIG A. DITSWORTH, CPA
WILLIAM H. BOORN, CPA
DENNIS L. MUELLER, CPA
DENNIS J. WAGNER, CPA
STEPHEN L. KOEHN, CPA
SUSAN K. CHANTLAND, CPA
C. MARK LINCOLN, CPA
JOHN E. ORTHAUS, CPA
SCOTT W. MILLER, CPA
WILLIAM J. BAUER, CPA
WENDY G. WIEDNER, CPA
JON J. PAULSEN, 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, 2007, 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 2006 financial statements and, in our report dated November 15, 2006, 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, 2007, 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 January 11, 2008, 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

January 11, 2008
West Des Moines, Iowa

OPERATION THRESHOLD
Statement of Financial Position
 September 30, 2007
 (With Comparative Totals for 2006)

Assets

	Total All Funds	
	2007	2006
Current Assets		
Cash and Cash Equivalents	\$ 797,482	804,510
Marketable Securities	34,006	--
Receivables		
Awards and Contracts	414,613	329,693
Prepaid Expenses	52,038	37,294
Weatherization Inventory	46,597	75,963
Total Current Assets	1,344,736	1,247,460
Noncurrent Assets		
Real Estate Contract Receivable	10,237	12,926
Restricted Cash	83,989	77,847
Construction in Progress - Housing Programs	410,934	544,481
Total Noncurrent Assets	505,160	635,254
Property and Equipment		
Land, Buildings, and Improvements	1,675,509	1,648,517
Furniture and Equipment	552,170	524,214
	2,227,679	2,172,731
Accumulated Depreciation	(1,233,407)	(1,149,063)
Net Property and Equipment	994,272	1,023,668
Total Assets	\$ 2,844,168	2,906,382
	Liabilities and Net Assets	
Current Liabilities		
Accounts Payable	\$ 67,806	63,180
Accrued Expenses	122,257	86,740
Mortgages Payable - Current Portion	49,316	43,900
Rent Deposits and Escrow	25,191	20,009
Due to Funding Sources	191,667	234,684
Deferred Revenue	--	13,593
Total Current Liabilities	456,237	462,106
Deferred Revenue - Noncurrent	10,237	12,926
Long-Term Debt		
Mortgages Payable - Net of Current Portion	350,626	399,942
Total Liabilities	817,100	874,974
Net Assets		
Temporarily Restricted	566,491	604,262
Unrestricted		
Designated for Program Activities	333,960	336,840
Invested in Property and Equipment	634,931	628,829
Undesignated	491,686	461,477
Total Net Assets	2,027,068	2,031,408
Total Liabilities and Net Assets	\$ 2,844,168	2,906,382

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, 2007
(With Comparative Totals for 2006)

	Unrestricted	Temporarily Restricted	Total All Funds	
			2007	2006
Support and Revenue				
Government Awards and Contract Revenue	\$ 4,449,760	--	4,449,760	5,975,347
Contributions, Public Support, and Services	333,291	--	333,291	464,420
Rental Income	301,126	--	301,126	271,640
Proceeds from Sales of Properties	--	89,502	89,502	59,597
Interest Income	7,832	--	7,832	11,634
Other Revenue	42,298	--	42,298	2,581
Food Vouchers for Distribution	3,326,094	--	3,326,094	3,099,435
	<u>8,460,401</u>	<u>89,502</u>	<u>8,549,903</u>	<u>9,884,654</u>
Net Assets Released from Restrictions - Satisfaction of Usage Restrictions	127,273	(127,273)	--	--
Total Support and Revenue	<u>8,587,674</u>	<u>(37,771)</u>	<u>8,549,903</u>	<u>9,884,654</u>
Functional Expenses				
Program Services				
Women, Infants, and Children	4,083,627	--	4,083,627	3,819,196
Low Income Home Energy Assistance Program	1,987,634	--	1,987,634	3,090,854
Weatherization Assistance Programs	693,603	--	693,603	1,235,165
Outreach Offices	291,902	--	291,902	306,310
Rental Housing Programs	291,860	--	291,860	290,856
Family Development and Self-Sufficiency	250,235	--	250,235	194,624
Family Nest	87,472	--	87,472	61,680
CSBG (net of co-funding provided)	86,998	--	86,998	65,879
Storks Nest	79,509	--	79,509	69,674
Project Care/Share	42,019	--	42,019	267,852
Other Programs	314,034	--	314,034	553,907
Total Program Services	<u>8,208,893</u>	<u>--</u>	<u>8,208,893</u>	<u>9,955,997</u>
Administrative Support Services				
Management and General	253,176	--	253,176	55,888
Total Functional Expenses	<u>8,462,069</u>	<u>--</u>	<u>8,462,069</u>	<u>10,011,885</u>
Change in Net Assets Before Net Additions of Capital Items	125,605	(37,771)	87,834	(127,231)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	<u>(92,174)</u>	<u>--</u>	<u>(92,174)</u>	<u>(292,656)</u>
Change in Net Assets	33,431	(37,771)	(4,340)	(419,887)
Net Assets - Beginning of Year	<u>1,427,146</u>	<u>604,262</u>	<u>2,031,408</u>	<u>2,451,295</u>
Net Assets - End of Year	<u>\$ 1,460,577</u>	<u>566,491</u>	<u>2,027,068</u>	<u>2,031,408</u>

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

OPERATION THRESHOLD

Statement of Cash Flows

Year Ended September 30, 2007
(With Comparative Totals for 2006)

	Total All Funds	
	2007	2006
Cash Flows from Operating Activities		
Change in Net Assets	\$ (4,340)	(419,887)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Net Change in Construction in Progress - Housing Programs	133,547	296,756
Depreciation	84,344	85,300
Increase in Marketable Securities	(34,006)	--
(Increase) Decrease in		
Receivables	(84,920)	24,067
Prepaid Expenses	(14,744)	(152)
Weatherization Inventory	29,366	(28,439)
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	40,143	(2,931)
Rent Deposits and Escrow	5,182	(472)
Due to Funding Sources	(43,017)	168,574
Deferred Revenue	(13,593)	(16,169)
Net Cash Flows from Operating Activities	<u>97,962</u>	<u>106,647</u>
Cash Flows from Investing Activities		
Cash Paid for Property and Equipment	<u>(54,948)</u>	<u>(4,100)</u>
Cash Flows from Financing Activities		
Increase in Restricted Cash	(6,142)	(465)
Payments on Mortgages Payable	<u>(43,900)</u>	<u>(43,497)</u>
Net Cash Flows from Financing Activities	<u>(50,042)</u>	<u>(43,962)</u>
Net Change in Cash and Cash Equivalents	(7,028)	58,585
Cash and Cash Equivalents - Beginning of Year	<u>804,510</u>	<u>745,925</u>
Cash and Cash Equivalents - End of Year	<u>\$797,482</u>	<u>804,510</u>
Supplemental Disclosure of Cash Flow Data		
Cash Paid During the Year for Interest	<u>\$ 16,015</u>	<u>18,452</u>

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

OPERATION THRESHOLD

Notes to Financial Statements

September 30, 2007

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, 2007.

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.

Marketable Securities

Marketable securities consist of shares of common stock received in a prior year from the demutualization of an insurance company that had provided employee benefits to the Organization. These shares have a readily determinable fair market value, and they were recorded at fair value as of September 30, 2007. Realized and unrealized gains and losses on these securities will be recorded to earnings.

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 2007.

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, 2007.

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 \$3,657 for the year ended September 30, 2007, 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 current assets and liabilities 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, 2006, from which the summarized information was derived. Certain reclassifications to the 2006 comparative totals have been made to conform to the 2007 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/Share 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.

Rental Housing 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.

Stork's Nest - This program is primarily funded through Cedar Valley's Promise Empowerment and the United Way. It provides an incentive-based prenatal education program benefiting expectant mothers and their babies.

The Family Nest program is funded under contracts with the Iowa Department of Human Services and others. The program provides parent education to promote child health and well being to families with children up to 18 years old.

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>
WIC Peer Counseling	\$ 68,573
Emergency Shelter Grants Program	30,525
Emergency Food and Shelter Program (FEMA)	27,398
WIC Food Breast Pump	25,071
Anti-Predatory Lending	24,934
HOME Investment Partnership Project	23,463
IHOEP - HUD Counseling	16,850
Volunteer Programs	16,300
FHLB Affordable Housing	12,109
From the Heart	9,617
Workforce Career Ladders	9,328
Emergency Funds	8,977
Grundy County Food Pantry	8,783
Food Assistance Programs	7,412
Iowa Homeownership Education Project	5,727
Other Programs and Local Activities	18,967
	<u>\$ 314,034</u>

3. **Support from Governmental Agencies**

The Organization received approximately 91% 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, 2007, the Company had \$817,344 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	797,082	--
Restricted Cash Deposits		
Sinking Fund Reserve for Retirement of Bonds	--	58,798
Tenant Security Deposits and Escrow	--	25,191
	<u>\$ 797,482</u>	<u>83,989</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	\$ 166,889
Iowa Department of Public Health	WIC Peer Counseling	30,928
Iowa Department of Human Rights	FaDSS	60,505
Iowa Department of Human Rights	WX Utility Cos.	29,131
Iowa Department of Human Rights	DOE	23,845
Iowa Department of Human Rights	HEAP	11,309
Iowa Department of Human Rights	LIHEAP	2,000
Iowa Institute For Community Alliances	ESGP	21,268
CVP Empowerment Board	Stork's Nest	12,803
Iowa Department of Human Services	Family Nest	11,361
BDF Empowerment Board	BDF Nest Program	8,753
Iowa Homeownership Education Project	HUD Counseling	5,212
City of Waterloo	HOME TBRA	3,458
Other Sources	Other Programs	27,151
		<u>\$ 414,613</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	1,635,769	61,169	728,899	906,870
Furniture and Equipment	552,170	23,175	504,508	47,662
	<u>\$ 2,227,679</u>	<u>84,344</u>	<u>1,233,407</u>	<u>994,272</u>

9. **Accrued Expenses**

Accrued expenses are summarized as follows:

Compensated Absences	\$ 54,948
Salaries and Wages	26,784
Payroll Taxes, Withholdings, and Benefits	38,234
Interest	2,291
	<u>\$122,257</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	19,384
Iowa Department of Public Health	
Advance for WIC Program Expenses	59,297
Iowa Department of Human Rights	
Regular Assistance Refunds - LIHEAP	<u>3,554</u>
	<u>\$ 191,667</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, with the final payment of \$40,000 due 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 \$219,108.

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 note balance totals \$99,891 at the year-end.

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 \$40,943.

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

2008	\$ 49,316
2009	9,947
2010	10,545
2011	11,161
2012	11,545
2013 through 2022	<u>307,428</u>
	<u>\$ 399,942</u>

Interest expense for the year ended September 30, 2007, totaled \$15,273.

12. 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	\$ 235,579
New Construction Funds	53,879
Rehab Re-Use Funds	33,862
Rehab Funds	28,762
Hope 3 HOME	94,218
Local Housing Assistance	178,801
Workforce Career Ladders	26,672
IHOEP	577
Lexington Square	<u>(85,859)</u>
	<u>\$ 566,491</u>

13. 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, 2007, totaled \$35,876.

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

2008	\$ 9,823
2009	<u>9,823</u>
	<u>\$ 19,646</u>

14. 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 \$4,725.

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 3.90% (3.70% through June 2007) of their annual covered salary to IPERS and the Organization contributes 6.05% (5.75% through June 2007) of annual covered payroll. Contribution requirements are established by state statute. The Organization's contribution to IPERS for the year ended September 30, 2007, was \$80,584, equal to the required contribution for the year.

15. 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	Disposals of Construction in Progress - Cost	\$(103,988)
C.D. HOME New	Disposals of Construction in Progress - Cost	(154)
Local Housing Assistance	Disposals of Construction in Progress - Cost	<u>(29,405)</u>
Total Net Disposals - Temporarily Restricted Funds		(133,547)
WIC	Capital Items Acquired With Grant Funds	13,418
Cost Pools (Unrestricted)	Capital Items Acquired With Grant Funds	<u>27,955</u>
Net Disposals of Capital Items Acquired With Grant Funds		<u>\$ (92,174)</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 (a nonprofit organization) as of and for the year ended September 30, 2007, and have issued our report thereon dated January 11, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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

January 11, 2008
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 (a nonprofit organization) 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, 2007. 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Page Two

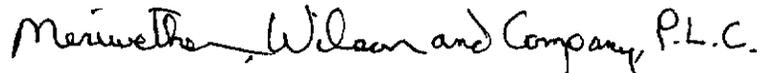
Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

January 11, 2008
West Des Moines, Iowa

OPERATION THRESHOLD

Schedule of Findings and Questioned Costs

Year Ended September 30, 2007

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, 2007.
2. No significant deficiencies 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 significant deficiencies 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, 2007.
6. The results of our audit disclosed no audit findings relating to major programs which we are required to report under section 510(a) of 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, 2007, 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	\$ 4,131,771
Low-Income Home Energy Assistance Program and Home Energy Assistance Program	93.568	<u>2,345,272</u>
		<u>\$ 6,477,043</u>

Expenditures for the Special Supplemental Nutrition Program for Women, Infants, and Children on this schedule include \$3,326,094 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, 2006 Through September 30, 2007

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-07-11-A	\$ 1,987,634
Home Energy Assistance Program	93.568	HEAP-07-11A HEAP-06-11A	107,382 250,256
Total CFDA # 93.568			<u>2,345,272</u> **
Community Services Block Grant	93.569	CSBG-06-11-CA	437,878
Family Development and Self Sufficiency (53% Federal)	93.558	FaDSS-08-11-FA	32,068
Family Development and Self Sufficiency (53% Federal)		FaDSS-06-11-FA C	96,273
Total CFDA # 93.558			<u>128,341</u>
Total U.S. Department of Health and Human Services			<u>\$ 2,911,491</u>
U.S. Department of Housing and Urban Development			
Passed Through the City of Waterloo			
HOME Investment Partnership Program	14.239	HOME TBRA Hope 3 Home Funds	\$ 12,090 1,325
Passed Through the Iowa Department of Economic Development			
HOME Program Promissory Note Dated 3/10/99	14.239	99-HM-204-731	99,891
Total CFDA #14.239			<u>113,306</u>
Passed Through the Iowa Institute for Community Alliances			
Emergency Shelter Grants Program	14.231	07-II-07032 07-II-07004 06-II-07032 06-II-07004	673 20,595 2,857 6,400
Total CFDA #14.231			<u>30,525</u>
Passed Through the Iowa Homeownership Education Program			
HUD Counseling	14.169	N/A	16,850
Total U.S. Department of Housing and Urban Development			<u>\$ 160,681</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	5887AO43 5887AO95 5886AO43	\$ 756,104 49,573 3,326,094
Noncash - Food Vouchers for Distribution			<u>3,326,094</u>
Total CFDA #10.557 and U.S. Department of Agriculture			<u>\$ 4,131,771</u> **
U.S. Department of Energy			
Passed Through Iowa Department of Human Rights			
Weatherization Assistance Programs	81.042	DOE-07-11A	\$ 155,637
Total CFDA #81.042 and U.S. Department of Energy			<u>\$ 155,637</u>
Department of Homeland Security			
Passed Through the Iowa Northland Regional Council of Governments			
Emergency Food and Shelter National Board Program	97.024	285800-004 286600-001 292400-001	\$ 22,216 2,914 2,268
Total CFDA #97.042 and Department of Homeland Security			<u>\$ 27,398</u>
Total Expenditures of Federal Awards			<u>\$ 7,386,978</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, 2007

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, 2007

Assets	<u>Total All Funds</u>	<u>Interfund Eliminations</u>	<u>Undesignated and Agency Cost Pool Funds</u>
Current Assets			
Cash and Cash Investments	\$ 797,482	--	736,407
Marketable Securities	34,006	--	34,006
Receivables			
Awards and Contracts	414,613	--	--
Interfund Receivable	--	(58,000)	58,000
Prepaid Expenses	52,038	--	52,028
Weatherization Inventory	46,597	--	--
Total Current Assets	<u>1,344,736</u>	<u>(58,000)</u>	<u>880,441</u>
Noncurrent Assets			
Real Estate Contracts Receivable	10,237	--	--
Restricted Cash	83,989	--	557
Construction in Progress - Housing Programs	410,934	--	--
Total Noncurrent Assets	<u>505,160</u>	<u>--</u>	<u>557</u>
Property and Equipment			
Land, Buildings, and Improvements	1,675,509	--	394,172
Furniture and Equipment	552,170	--	547,778
Accumulated Depreciation	(1,233,407)	--	(755,148)
Net Property and Equipment	<u>994,272</u>	<u>--</u>	<u>186,802</u>
Total Assets	<u>\$ 2,844,168</u>	<u>(58,000)</u>	<u>1,067,800</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 67,806	--	14,975
Interfund Payable	--	(58,000)	--
Accrued Expenses	122,257	--	119,966
Mortgages Payable - Current Portion	49,316	--	--
Rent Deposits	25,191	--	557
Due to Funding Sources	191,667	--	19,384
Deferred Revenue	--	--	--
Total Current Liabilities	<u>456,237</u>	<u>(58,000)</u>	<u>154,882</u>
Deferred Revenue - Noncurrent	<u>10,237</u>	<u>--</u>	<u>--</u>
Long-Term Debt			
Mortgages Payable - Net of Current Portion	<u>350,626</u>	<u>--</u>	<u>--</u>
Net Assets			
Temporarily Restricted	566,491	--	--
Unrestricted			
Designated for Program Activities	333,960	--	234,430
Invested in Property and Equipment	634,931	--	186,802
Undesignated	491,686	--	491,686
Total Net Assets	<u>2,027,068</u>	<u>--</u>	<u>912,918</u>
Total Liabilities and Net Assets	<u>\$ 2,844,168</u>	<u>(58,000)</u>	<u>1,067,800</u>

OPERATION THRESHOLD
Combining Statement of Financial Position
September 30, 2007

Total Designated Funds	Weatherization Assistance						
	LIHEAP	CSBG	FaDSS	DOE	HEAP	Inventory	WIC
61,075	12,401	1,679	(60,299)	(23,845)	(11,309)	15,609	(41,371)
--	--	--	--	--	--	--	--
414,613	2,000	--	60,505	23,845	11,309	--	166,889
--	--	--	--	--	--	--	--
10	--	--	--	--	--	--	10
46,597	--	--	--	--	--	46,597	--
<u>522,295</u>	<u>14,401</u>	<u>1,679</u>	<u>206</u>	<u>--</u>	<u>--</u>	<u>62,206</u>	<u>125,528</u>
10,237	--	--	--	--	--	--	--
83,432	--	--	--	--	--	--	--
410,934	--	--	--	--	--	--	--
<u>504,603</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1,281,337	--	--	--	--	--	--	13,418
4,392	--	--	--	--	--	--	--
(478,259)	--	--	--	--	--	--	--
<u>807,470</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>13,418</u>
<u>1,834,368</u>	<u>14,401</u>	<u>1,679</u>	<u>206</u>	<u>--</u>	<u>--</u>	<u>62,206</u>	<u>138,946</u>
52,831	10,847	1,679	206	--	--	5,101	28,378
58,000	--	--	--	--	--	--	--
2,291	--	--	--	--	--	--	--
49,316	--	--	--	--	--	--	--
24,634	--	--	--	--	--	--	--
172,283	3,554	--	--	--	--	--	59,297
--	--	--	--	--	--	--	--
<u>359,355</u>	<u>14,401</u>	<u>1,679</u>	<u>206</u>	<u>--</u>	<u>--</u>	<u>5,101</u>	<u>87,675</u>
<u>10,237</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>350,626</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
566,491	--	--	--	--	--	--	--
99,530	--	--	--	--	--	57,105	51,271
448,129	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
<u>1,114,150</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>57,105</u>	<u>51,271</u>
<u>1,834,368</u>	<u>14,401</u>	<u>1,679</u>	<u>206</u>	<u>--</u>	<u>--</u>	<u>62,206</u>	<u>138,946</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

	Comm. Dev. HOME New Constr. Re-Use	Comm. Dev. HOME Rehab Re-Use	Comm. Dev. HOME Rehab Funds
Assets			
Current Assets			
Cash and Cash Investments	\$ (63,867)	33,862	28,762
Marketable Securities	--	--	--
Receivables			
Awards and Contracts	--	--	--
Interfund Receivable	--	--	--
Prepaid Expenses	--	--	--
Weatherization Inventory	--	--	--
Total Current Assets	<u>(63,867)</u>	<u>33,862</u>	<u>28,762</u>
Noncurrent Assets			
Real Estate Contracts Receivable	--	--	--
Restricted Cash	--	--	--
Construction in Progress - Housing Programs	299,446	--	--
Total Noncurrent Assets	<u>299,446</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>\$ 235,579</u>	<u>33,862</u>	<u>28,762</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>	<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	235,579	33,862	28,762
Unrestricted			
Designated for Program Activities	--	--	--
Invested in Property and Equipment	--	--	--
Undesignated	--	--	--
Total Net Assets	<u>235,579</u>	<u>33,862</u>	<u>28,762</u>
Total Liabilities and Net Assets	<u>\$ 235,579</u>	<u>33,862</u>	<u>28,762</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

Designated Funds

Comm. Dev. HOME New Constr.	Hope 3 Home	HOME TBRA	LHCB/CASH Course	Home Buyer Education	Waterloo Housing Partnership
36,777	94,218	4,607	3,751	50	479
--	--	--	--	--	--
--	--	3,458	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>36,777</u>	<u>94,218</u>	<u>8,065</u>	<u>3,751</u>	<u>50</u>	<u>479</u>
--	10,237	--	--	--	--
--	--	--	--	--	--
17,102	--	--	--	--	--
<u>17,102</u>	<u>10,237</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>53,879</u>	<u>104,455</u>	<u>8,065</u>	<u>3,751</u>	<u>50</u>	<u>479</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>10,237</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
53,879	94,218	--	--	--	--
--	--	8,065	3,751	50	479
--	--	--	--	--	--
<u>53,879</u>	<u>94,218</u>	<u>8,065</u>	<u>3,751</u>	<u>50</u>	<u>479</u>
<u>53,879</u>	<u>104,455</u>	<u>8,065</u>	<u>3,751</u>	<u>50</u>	<u>479</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

Assets	<u>Weatherization Assistance Utility Companies</u>	<u>Project Helper</u>	<u>Project Care/Share</u>
Current Assets			
Cash and Cash Investments	\$ (29,131)	1,459	7,225
Marketable Securities	--	--	--
Receivables			
Awards and Contracts	29,131	--	--
Interfund Receivable	--	--	--
Prepaid Expenses	--	--	--
Weatherization Inventory	--	--	--
Total Current Assets	<u>--</u>	<u>1,459</u>	<u>7,225</u>
Noncurrent Assets			
Real Estate Contracts Receivable	--	--	--
Restricted Cash	--	--	--
Construction in Progress - Housing Programs	--	--	--
Total Noncurrent Assets	<u>--</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>\$ --</u>	<u>1,459</u>	<u>7,225</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>	<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	--	--	--
Unrestricted			
Designated for Program Activities	--	1,459	7,225
Invested in Property and Equipment	--	--	--
Undesignated	--	--	--
Total Net Assets	<u>--</u>	<u>1,459</u>	<u>7,225</u>
Total Liabilities and Net Assets	<u>\$ --</u>	<u>1,459</u>	<u>7,225</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

<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>
(28,159)	(932)	650	(8,644)	(7,624)	(9,103)
--	--	--	--	--	--
30,928	932	--	8,644	20,114	12,803
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>2,769</u>	<u>--</u>	<u>650</u>	<u>--</u>	<u>12,490</u>	<u>3,700</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>2,769</u>	<u>--</u>	<u>650</u>	<u>--</u>	<u>12,490</u>	<u>3,700</u>
2,769	--	--	--	239	2
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>2,769</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>239</u>	<u>2</u>
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	650	--	12,251	3,698
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>650</u>	<u>--</u>	<u>12,251</u>	<u>3,698</u>
<u>2,769</u>	<u>--</u>	<u>650</u>	<u>--</u>	<u>12,490</u>	<u>3,700</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

	Canterbury Court Apartments	924 Lafayette Street
Assets		
Current Assets		
Cash and Cash Investments	\$ (287,824)	5,951
Marketable Securities	--	--
Receivables		
Awards and Contracts	--	--
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>(287,824)</u>	<u>5,951</u>
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	74,073	850
Construction in Progress - Housing Programs	--	--
Total Noncurrent Assets	<u>74,073</u>	<u>850</u>
Property and Equipment		
Land, Buildings, and Improvements	477,465	62,785
Furniture and Equipment	4,392	--
Accumulated Depreciation	(217,912)	(26,594)
Net Property and Equipment	<u>263,945</u>	<u>36,191</u>
Total Assets	<u>\$ 50,194</u>	<u>42,992</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 1,148	--
Interfund Payable	--	--
Accrued Expenses	818	--
Mortgages Payable - Current Portion	40,000	--
Rent Deposits	15,275	850
Due to Funding Sources	--	--
Deferred Revenue	--	--
Total Current Liabilities	<u>57,241</u>	<u>850</u>
Deferred Revenue - Noncurrent	--	--
Long-Term Debt		
Mortgages Payable - Net of Current Portion	--	--
Net Assets		
Temporarily Restricted	--	--
Unrestricted		
Designated for Program Activities	(230,992)	5,951
Invested in Property and Equipment	223,945	36,191
Undesignated	--	--
Total Net Assets	<u>(7,047)</u>	<u>42,142</u>
Total Liabilities and Net Assets	<u>\$ 50,194</u>	<u>42,992</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

Kingswood Apartments	Designated Funds				
	302 Locust Street	1619 Franklin St.	Ankeny Single Family	Lexington Square	316/318 West 3rd Street
130,359	22,570	6,150	(25,966)	(31,728)	(79,934)
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>130,359</u>	<u>22,570</u>	<u>6,150</u>	<u>(25,966)</u>	<u>(31,728)</u>	<u>(79,934)</u>
--	--	--	--	--	--
2,603	584	383	673	2,983	1,283
--	--	--	--	--	--
<u>2,603</u>	<u>584</u>	<u>383</u>	<u>673</u>	<u>2,983</u>	<u>1,283</u>
49,982	96,857	12,013	68,811	412,433	87,573
--	--	--	--	--	--
(25,021)	(45,331)	(5,264)	(27,762)	(106,510)	(23,865)
<u>24,961</u>	<u>51,526</u>	<u>6,749</u>	<u>41,049</u>	<u>305,923</u>	<u>63,708</u>
<u>157,923</u>	<u>74,680</u>	<u>13,282</u>	<u>15,756</u>	<u>277,178</u>	<u>(14,943)</u>
219	--	--	--	(1,361)	(77)
--	--	--	--	--	58,000
--	--	--	--	1,473	--
--	--	--	--	9,316	--
2,603	584	383	673	2,983	1,283
--	--	--	--	--	--
--	--	--	--	--	--
<u>2,822</u>	<u>584</u>	<u>383</u>	<u>673</u>	<u>12,411</u>	<u>59,206</u>
--	--	--	--	--	--
--	--	--	--	350,626	--
--	--	--	--	(85,859)	--
--	--	--	--	--	--
130,140	22,570	6,150	(25,966)	--	(137,857)
24,961	51,526	6,749	41,049	--	63,708
--	--	--	--	--	--
<u>155,101</u>	<u>74,096</u>	<u>12,899</u>	<u>15,083</u>	<u>(85,859)</u>	<u>(74,149)</u>
<u>157,923</u>	<u>74,680</u>	<u>13,282</u>	<u>15,756</u>	<u>277,178</u>	<u>(14,943)</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

Assets	<u>Local Housing Assist.</u>	<u>FHLB Affordable Housing</u>
Current Assets		
Cash and Cash Investments	\$ 193,847	(66,593)
Marketable Securities	--	--
Receivables		
Awards and Contracts	--	--
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>193,847</u>	<u>(66,593)</u>
Noncurrent Assets		
Real Estate Contracts Receivable	--	--
Restricted Cash	--	--
Construction in Progress	94,386	--
Total Noncurrent Assets	<u>94,386</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>\$ 288,233</u>	<u>(66,593)</u>
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	<u>109,432</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	178,801	--
Unrestricted		
Designated for Program Activities	--	(66,593)
Invested in Property and Equipment	--	--
Undesignated	--	--
Total Net Assets	<u>178,801</u>	<u>(66,593)</u>
Total Liabilities and Net Assets	<u>\$ 288,233</u>	<u>(66,593)</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

Designated Funds					
<u>Emergency Funds</u>	<u>Toy Project</u>	<u>Pocket Change Project</u>	<u>Emergency Shelter Grants Program</u>	<u>School Supplies</u>	<u>Outreach Offices</u>
3,996	4,372	114	(21,268)	1,503	228,515
--	--	--	--	--	--
--	--	--	21,268	--	3,000
--	--	--	--	--	--
--	--	--	--	--	--
<u>3,996</u>	<u>4,372</u>	<u>114</u>	<u>--</u>	<u>1,503</u>	<u>231,515</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>3,996</u>	<u>4,372</u>	<u>114</u>	<u>--</u>	<u>1,503</u>	<u>231,515</u>
--	--	--	--	--	3,428
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,428</u>
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
3,996	4,372	114	--	1,503	228,087
--	--	--	--	--	--
--	--	--	--	--	--
<u>3,996</u>	<u>4,372</u>	<u>114</u>	<u>--</u>	<u>1,503</u>	<u>228,087</u>
<u>3,996</u>	<u>4,372</u>	<u>114</u>	<u>--</u>	<u>1,503</u>	<u>231,515</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

Assets	<u>IHOEP</u>	<u>IHOEP HUD Counseling</u>
Current Assets		
Cash and Cash Investments	\$ 577	(5,212)
Marketable Securities	--	--
Receivables		
Awards and Contracts	--	5,212
Interfund Receivable	--	--
Prepaid Expenses	--	--
Weatherization Inventory	--	--
Total Current Assets	<u>577</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>\$ 577</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	--	--
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	577	--
Unrestricted		
Designated for Program Activities	--	--
Invested in Property and Equipment	--	--
Undesignated	--	--
Total Net Assets	<u>577</u>	<u>--</u>
Total Liabilities and Net Assets	<u>\$ 577</u>	<u>--</u>

OPERATION THRESHOLD

Combining Statement of Financial Position - Continued

September 30, 2007

<u>From the Heart</u>	<u>Anti-Predatory Lending</u>	<u>Workforce Career Ladders</u>	<u>Parents as Teachers</u>	<u>Hawkeye Valley on Aging</u>	<u>Grundy Co. Food Pantry</u>	<u>Volunteer Programs</u>
(9,617)	8,107	26,675	(1,751)	169	4,025	(3,207)
--	--	--	--	--	--	--
9,617	--	--	1,751	--	--	3,207
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>--</u>	<u>8,107</u>	<u>26,675</u>	<u>--</u>	<u>169</u>	<u>4,025</u>	<u>--</u>
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>--</u>	<u>8,107</u>	<u>26,675</u>	<u>--</u>	<u>169</u>	<u>4,025</u>	<u>--</u>
--	168	3	--	--	82	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>--</u>	<u>168</u>	<u>3</u>	<u>--</u>	<u>--</u>	<u>82</u>	<u>--</u>
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	26,672	--	--	--	--
--	7,939	--	--	169	3,943	--
--	--	--	--	--	--	--
<u>--</u>	<u>7,939</u>	<u>26,672</u>	<u>--</u>	<u>169</u>	<u>3,943</u>	<u>--</u>
--	8,107	26,675	--	169	4,025	--
<u>--</u>	<u>8,107</u>	<u>26,675</u>	<u>--</u>	<u>169</u>	<u>4,025</u>	<u>--</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

Combining Statement of Activities

Year Ended September 30, 2007

	<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	\$ 4,449,760	--	4,449,760
Food Vouchers for Distribution	3,326,094	--	3,326,094
CSBG Co-funding Provided	--	129,445	(129,445)
Rental Income	301,126	6,652	294,474
Contributions, Public Support, and Services	333,291	32,960	300,331
Proceeds from Sales of Properties	89,502	--	89,502
Interest Income	7,832	6,872	960
Other Revenue	42,298	35,889	6,409
Total Support and Revenue	<u>8,549,903</u>	<u>211,818</u>	<u>8,338,085</u>
Expenses			
Program and General Expenses	5,051,631	1,147,164	3,904,467
Food Vouchers for Distribution	3,326,094	--	3,326,094
Depreciation	84,344	32,892	51,452
Interfund Expense Transfers	--	(926,880)	926,880
Total Expenses	<u>8,462,069</u>	<u>253,176</u>	<u>8,208,893</u>
Excess (Deficiency) of Support and Revenue Over Expenses Before Capital Additions	87,834	(41,358)	129,192
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	(92,174)	27,955	(120,129)
Net Assets - Beginning of Year	<u>2,031,408</u>	<u>926,321</u>	<u>1,105,087</u>
Net Assets - End of Year	<u>\$ 2,027,068</u>	<u>912,918</u>	<u>1,114,150</u>

OPERATION THRESHOLD

Combining Statement of Activities

Year Ended September 30, 2007

Iowa Department of Human Rights/Division of Community Action Agencies						Ia. Dept. of Public Health
LIHEAP	CSBG	FaDSS	Weatherization Assistance			WIC
			DOE	HEAP	Inventory	
1,987,634	437,878	242,153	155,637	357,638	--	756,104
--	--	--	--	--	--	3,326,094
--	(350,880)	--	--	--	--	--
--	--	--	--	--	--	5,619
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>1,987,634</u>	<u>86,998</u>	<u>242,153</u>	<u>155,637</u>	<u>357,638</u>	<u>--</u>	<u>4,087,817</u>
1,908,481	23,440	216,664	51,383	111,155	--	657,501
--	--	--	--	--	--	3,326,094
--	--	--	--	--	--	--
79,153	63,558	33,571	104,254	246,483	--	100,032
<u>1,987,634</u>	<u>86,998</u>	<u>250,235</u>	<u>155,637</u>	<u>357,638</u>	<u>--</u>	<u>4,083,627</u>
--	--	(8,082)	--	--	--	4,190
--	--	--	--	--	--	13,418
--	--	8,082	--	--	57,105	33,663
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>57,105</u>	<u>51,271</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

	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	--	--	--
Rental Income	--	--	--
Contributions, Public Support, and Services	398	1,000	--
Proceeds from Sales of Properties	51,962	--	--
Interest Income	--	--	--
Other Revenue	--	--	--
Total Support and Revenue	<u>52,360</u>	<u>1,000</u>	<u>--</u>
Expenses			
Program and General Expenses	--	--	--
Food Vouchers for Distribution	--	--	--
Depreciation	--	--	--
Interfund Expense Transfers	--	--	--
Total Expenses	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Support and Revenue over Expenses	52,360	1,000	--
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	(103,988)	--	--
Net Assets - Beginning of Year	<u>287,207</u>	<u>32,862</u>	<u>28,762</u>
Net Assets - End of Year	<u>\$ 235,579</u>	<u>33,862</u>	<u>28,762</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

Housing and Urban Development

Comm. Dev.					
HOME New Constr.	Hope 3 Home	HOME TBRA	LHCB/CASH Course	Home Buyer Education	Waterloo Housing Partnership
--	--	12,090	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	3,350	14,563	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>3,350</u>	<u>26,653</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	1,325	22,138	332	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	2,628	--
<u>--</u>	<u>1,325</u>	<u>22,138</u>	<u>332</u>	<u>2,628</u>	<u>--</u>
--	2,025	4,515	(332)	(2,628)	--
(154)	--	--	--	--	--
<u>54,033</u>	<u>92,193</u>	<u>3,550</u>	<u>4,083</u>	<u>2,678</u>	<u>479</u>
<u>53,879</u>	<u>94,218</u>	<u>8,065</u>	<u>3,751</u>	<u>50</u>	<u>479</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

	Weatherization Assistance Utility Companies	Project Helper
Support and Revenue		
Government Awards and Contract Revenue	\$ 180,328	--
Food Vouchers for Distribution	--	--
CSBG Co-funding Provided	--	--
Rental Income	--	--
Contributions, Public Support, and Services	--	976
Proceeds from Sales of Properties	--	--
Interest Income	--	--
Other Revenue	--	--
Total Support and Revenue	<u>180,328</u>	<u>976</u>
Expenses		
Program and General Expenses	56,141	1,038
Food Vouchers for Distribution	--	--
Depreciation	--	--
Interfund Expense Transfers	124,187	--
Total Expenses	<u>180,328</u>	<u>1,038</u>
Excess (Deficiency) of Support and Revenue over Expenses	--	(62)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	<u>--</u>	<u>1,521</u>
Net Assets - End of Year	<u>\$ --</u>	<u>1,459</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

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>
--	68,573	2,059	--	--	74,412	53,522
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
40,209	--	--	500	25,071	14,130	20,120
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>40,209</u>	<u>68,573</u>	<u>2,059</u>	<u>500</u>	<u>25,071</u>	<u>88,542</u>	<u>73,642</u>
42,116	64,712	4,410	10	25,071	73,710	69,728
--	--	--	--	--	--	--
--	--	--	--	--	--	--
(97)	3,861	(1,430)	--	--	13,762	9,781
<u>42,019</u>	<u>68,573</u>	<u>2,980</u>	<u>10</u>	<u>25,071</u>	<u>87,472</u>	<u>79,509</u>
(1,810)	--	(921)	490	--	1,070	(5,867)
--	--	--	--	--	--	--
<u>9,035</u>	<u>--</u>	<u>921</u>	<u>160</u>	<u>--</u>	<u>11,181</u>	<u>9,565</u>
<u>7,225</u>	<u>--</u>	<u>--</u>	<u>650</u>	<u>--</u>	<u>12,251</u>	<u>3,698</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

	<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	171,613	9,832
Contributions, Public Support, and Services	--	--
Proceeds from Sales of Properties	--	--
Interest Income	960	--
Other Revenue	5,502	--
Total Support and Revenue	<u>178,075</u>	<u>9,832</u>
Expenses		
Program and General Expenses	84,629	6,677
Food Vouchers for Distribution	--	--
Depreciation	19,301	2,478
Interfund Expense Transfers	39,612	3,916
Total Expenses	<u>143,542</u>	<u>13,071</u>
Excess (Deficiency) of Support and Revenue over Expenses	34,533	(3,239)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--
Net Assets - Beginning of Year	<u>(41,580)</u>	<u>45,381</u>
Net Assets - End of Year	<u>\$ (7,047)</u>	<u>42,142</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

Local Government and Miscellaneous Funding Sources					
<u>Kingswood Apartments</u>	<u>302 Locust Street</u>	<u>1619 Franklin St.</u>	<u>Ankeny Single Family</u>	<u>Lexington Square</u>	<u>316/318 West 3rd Street</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
35,548	9,522	4,748	8,076	34,119	21,016
--	--	--	--	--	--
--	--	--	--	--	--
496	139	--	--	207	65
<u>36,044</u>	<u>9,661</u>	<u>4,748</u>	<u>8,076</u>	<u>34,326</u>	<u>21,081</u>
12,774	4,655	3,290	1,886	27,995	16,444
--	--	--	--	--	--
2,654	4,030	540	5,349	13,916	3,184
5,886	3,330	2,186	2,810	16,813	7,505
<u>21,314</u>	<u>12,015</u>	<u>6,016</u>	<u>10,045</u>	<u>58,724</u>	<u>27,133</u>
14,730	(2,354)	(1,268)	(1,969)	(24,398)	(6,052)
--	--	--	--	--	--
<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>155,101</u>	<u>74,096</u>	<u>12,899</u>	<u>15,083</u>	<u>(85,859)</u>	<u>(74,149)</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

	Local Housing Assist.	FHLB Affordable Housing	Emergency Funds
Support and Revenue			
Government Awards and Contract Revenue	\$ --	29,549	--
Food Vouchers for Distribution	--	--	--
CSBG Co-funding Provided	--	--	--
Rental Income	--	--	--
Contributions, Public Support, and Services	--	--	3,939
Proceeds from Sales of Properties	37,540	--	--
Interest Income	--	--	--
Other Revenue	--	--	--
Total Support and Revenue	<u>37,540</u>	<u>29,549</u>	<u>3,939</u>
Expenses			
Program and General Expenses	--	9,551	14,951
Food Vouchers for Distribution	--	--	--
Depreciation	--	--	--
Interfund Expense Transfers	--	2,558	(5,974)
Total Expenses	<u>--</u>	<u>12,109</u>	<u>8,977</u>
Excess (Deficiency) of Support and Revenue over Expenses	37,540	17,440	(5,038)
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	(29,405)	--	--
Net Assets - Beginning of Year	<u>170,666</u>	<u>(84,033)</u>	<u>9,034</u>
Net Assets - End of Year	<u>\$ 178,801</u>	<u>(66,593)</u>	<u>3,996</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

Local Government and Miscellaneous Funding Sources

<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>
--	--	30,525	--	--	--
--	--	--	--	--	--
--	--	--	--	--	221,435
--	--	--	--	--	--
3,420	3,575	--	2,100	800	71,437
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>3,420</u>	<u>3,575</u>	<u>30,525</u>	<u>2,100</u>	<u>800</u>	<u>292,872</u>
3,723	3,947	27,492	2,100	99	227,792
--	--	--	--	--	--
--	--	--	--	--	--
--	--	3,033	--	--	64,110
<u>3,723</u>	<u>3,947</u>	<u>30,525</u>	<u>2,100</u>	<u>99</u>	<u>291,902</u>
(303)	(372)	--	--	701	970
--	--	--	--	--	--
<u>4,675</u>	<u>486</u>	<u>--</u>	<u>--</u>	<u>802</u>	<u>227,117</u>
<u>4,372</u>	<u>114</u>	<u>--</u>	<u>--</u>	<u>1,503</u>	<u>228,087</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

	Emergency Food and Shelter (FEMA)	IHOEP	IHOEP HUD Counseling	From the Heart
Support and Revenue				
Government Awards and Contract Revenue	\$ 27,398	--	16,850	--
Food Vouchers for Distribution	--	--	--	--
CSBG Co-funding Provided	--	--	--	--
Rental Income	--	--	--	--
Contributions, Public Support, and Services	--	6,304	--	9,617
Proceeds from Sales of Properties	--	--	--	--
Interest Income	--	--	--	--
Other Revenue	--	--	--	--
Total Support and Revenue	<u>27,398</u>	<u>6,304</u>	<u>16,850</u>	<u>9,617</u>
Expenses				
Program and General Expenses	27,398	467	--	9,108
Food Vouchers for Distribution	--	--	--	--
Depreciation	--	--	--	--
Interfund Expense Transfers	--	5,260	16,850	509
Total Expenses	<u>27,398</u>	<u>5,727</u>	<u>16,850</u>	<u>9,617</u>
Excess (Deficiency) of Support and Revenue over Expenses	--	577	--	--
Net Additions (Disposals) of Capital Items Acquired With Grant Funds	--	--	--	--
Net Assets - Beginning of Year	--	--	--	--
Net Assets - End of Year	<u>\$ --</u>	<u>577</u>	<u>--</u>	<u>--</u>

OPERATION THRESHOLD

Combining Statement of Activities - Continued

Year Ended September 30, 2007

Local Government and Miscellaneous Funding Sources

<u>Anti-Predatory Lending</u>	<u>OT Family Development</u>	<u>Workforce Career Ladders</u>	<u>Parents as Teachers</u>	<u>Hawkeye Valley on Aging</u>	<u>Food Assist. Program</u>	<u>Grundy Co. Food Pantry</u>	<u>Volunteer Programs</u>
--	--	--	1,751	--	(641)	--	16,300
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
32,873	1,000	36,000	--	--	--	3,330	--
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
<u>32,873</u>	<u>1,000</u>	<u>36,000</u>	<u>1,751</u>	<u>--</u>	<u>(641)</u>	<u>3,330</u>	<u>16,300</u>
41,617	14,163	9,328	1,620	--	914	8,783	13,709
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
(16,683)	(13,163)	--	131	--	5,857	--	2,591
<u>24,934</u>	<u>1,000</u>	<u>9,328</u>	<u>1,751</u>	<u>--</u>	<u>6,771</u>	<u>8,783</u>	<u>16,300</u>
7,939	--	26,672	--	--	(7,412)	(5,453)	--
--	--	--	--	--	--	--	--
--	--	--	--	169	7,412	9,396	--
<u>7,939</u>	<u>--</u>	<u>26,672</u>	<u>--</u>	<u>169</u>	<u>--</u>	<u>3,943</u>	<u>--</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

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

September 30, 2007

Assets	<u>Total</u>	<u>Payroll Clearing</u>	<u>Agency</u>
Current Assets			
Cash and Cash Investments	\$ 736,407	109,026	395,257
Marketable Securities	34,006	--	34,006
Receivables			
Awards and Contracts	--	--	--
Interfund	58,000	--	58,000
Prepaid Expenses	52,028	11,147	28,554
Total Current Assets	<u>880,441</u>	<u>120,173</u>	<u>515,817</u>
Noncurrent Assets			
Restricted Cash	<u>557</u>	<u>--</u>	<u>--</u>
Property and Equipment			
Land, Buildings, and Improvements	394,172	--	394,172
Furniture and Equipment	547,778	--	116,348
Accumulated Depreciation	(755,148)	--	(371,379)
Net Property and Equipment	<u>186,802</u>	<u>--</u>	<u>139,141</u>
 Total Assets	 <u>\$ 1,067,800</u>	 <u>120,173</u>	 <u>654,958</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 14,975	207	30
Accrued Expenses	119,966	119,966	--
Rent Deposits	557	--	--
Due to Funding Sources	19,384	--	--
Total Current Liabilities	<u>154,882</u>	<u>120,173</u>	<u>30</u>
Net Assets			
Temporarily Restricted	--	--	--
Unrestricted			
Designated for Program Activities	234,430	--	24,101
Invested in Property and Equipment	186,802	--	139,141
Undesignated	491,686	--	491,686
Total Net Assets	<u>912,918</u>	<u>--</u>	<u>654,928</u>
 Total Liabilities and Net Assets	 <u>\$ 1,067,800</u>	 <u>120,173</u>	 <u>654,958</u>

OPERATION THRESHOLD

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

September 30, 2007

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>
24,323	24,052	11,453	13,930	130	15,376	127,556	2,097	13,207
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	12,327	--	--
<u>24,323</u>	<u>24,052</u>	<u>11,453</u>	<u>13,930</u>	<u>130</u>	<u>15,376</u>	<u>139,883</u>	<u>2,097</u>	<u>13,207</u>
--	--	--	--	--	--	--	--	557
--	--	--	--	--	--	--	--	--
431,430	--	--	--	--	--	--	--	--
(383,769)	--	--	--	--	--	--	--	--
<u>47,661</u>	--	--	--	--	--	--	--	--
<u>71,984</u>	<u>24,052</u>	<u>11,453</u>	<u>13,930</u>	<u>130</u>	<u>15,376</u>	<u>139,883</u>	<u>2,097</u>	<u>13,764</u>
245	11	51	123	130	635	13,298	181	64
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	557
--	--	--	--	--	--	--	--	19,384
<u>245</u>	<u>11</u>	<u>51</u>	<u>123</u>	<u>130</u>	<u>635</u>	<u>13,298</u>	<u>181</u>	<u>20,005</u>
--	--	--	--	--	--	--	--	--
24,078	24,041	11,402	13,807	--	14,741	126,585	1,916	(6,241)
47,661	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
<u>71,739</u>	<u>24,041</u>	<u>11,402</u>	<u>13,807</u>	<u>--</u>	<u>14,741</u>	<u>126,585</u>	<u>1,916</u>	<u>(6,241)</u>
<u>71,984</u>	<u>24,052</u>	<u>11,453</u>	<u>13,930</u>	<u>130</u>	<u>15,376</u>	<u>139,883</u>	<u>2,097</u>	<u>13,764</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD

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

Year Ended September 30, 2007

	<u>Total</u>	<u>Agency</u>	<u>Equipment</u>
Support and Revenue			
CSBG Co-funding Provided	\$ 129,445	--	--
Rental Income	6,652	--	--
Contributions, Public Support, and Services	32,960	2,334	9,941
Interest Income	6,872	6,872	--
Other Revenue	35,889	35,889	--
Total Support and Revenue	<u>211,818</u>	<u>45,095</u>	<u>9,941</u>
Expenses			
Management and General Expenses	1,147,164	18,936	48,257
Depreciation	32,892	--	23,176
Interfund Expense Transfers	(926,880)	137	(19,106)
Total Expenses	<u>253,176</u>	<u>19,073</u>	<u>52,327</u>
Excess (Deficiency) of Support and Revenue over Expenses	(41,358)	26,022	(42,386)
Capital Additions - Equipment Fund	27,955	--	27,955
Net Assets - Beginning of Year	<u>926,321</u>	<u>628,906</u>	<u>86,170</u>
Net Assets - End of Year	<u>\$ 912,918</u>	<u>654,928</u>	<u>71,739</u>

OPERATION THRESHOLD

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

Year Ended September 30, 2007

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>
945	--	--	--	88,652	--	--	39,848	--
--	--	--	--	--	--	--	--	6,652
--	61	69	162	500	635	14,508	4,750	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
<u>945</u>	<u>61</u>	<u>69</u>	<u>162</u>	<u>89,152</u>	<u>635</u>	<u>14,508</u>	<u>44,598</u>	<u>6,652</u>
945	148,106	70,540	191,620	77,076	52,929	461,967	63,895	12,893
--	--	--	--	--	9,716	--	--	--
--	<u>(148,045)</u>	<u>(70,471)</u>	<u>(191,458)</u>	<u>12,076</u>	<u>(67,398)</u>	<u>(423,020)</u>	<u>(19,595)</u>	--
<u>945</u>	<u>61</u>	<u>69</u>	<u>162</u>	<u>89,152</u>	<u>(4,753)</u>	<u>38,947</u>	<u>44,300</u>	<u>12,893</u>
--	--	--	--	--	5,388	(24,439)	298	(6,241)
--	--	--	--	--	--	--	--	--
--	<u>24,041</u>	<u>11,402</u>	<u>13,807</u>	--	<u>9,353</u>	<u>151,024</u>	<u>1,618</u>	--
--	<u>24,041</u>	<u>11,402</u>	<u>13,807</u>	--	<u>14,741</u>	<u>126,585</u>	<u>1,916</u>	<u>(6,241)</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-06-11-CA
(Contract Period 10/01/05 - 9/30/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 10/01/06 - 9/30/07</u>
Space Costs	\$ 14,760	16,236
Equipment Costs	560	--
Consultants	16,100	16,767
Co-Funded Programs	351,558	350,940
Other Costs	<u>54,900</u>	<u>53,935</u>
Total	<u><u>\$437,878</u></u>	<u><u>437,878</u></u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Low Income Home Energy Assistance Program

Contract No. LIHEAP-07-11-A
(Contract Period 10/01/06 - 9/30/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 10/01/06 - 9/30/07</u>
Assistance Awards		
Regular Assistance	\$ 1,599,121	1,599,121
Energy Crisis Intervention	116,125	116,125
Client Services Assessment and Resolution	51,768	51,768
Developmental Assessment and Resolution	32,000	18,600
Summer Deliverable Fuel	34,686	34,686
Administration	<u>167,334</u>	<u>167,334</u>
 Total Grant Expenses	 <u><u>\$ 2,001,034</u></u>	 <u><u>1,987,634</u></u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. DOE-07-11A
(Contract Period 4/01/07 - 3/31/08)

Cost Category	Approved Budget	Actual Expenses 4/01/07 - 9/30/07
Administration	\$ 19,939	12,184
Health and Safety	43,409	28,053
Support	56,272	33,802
Labor	58,684	53,885
Materials	58,684	27,713
Total	\$ 236,988	155,637

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. HEAP-07-11A
(Contract Period 4/01/07 - 3/31/08)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 4/01/07 - 9/30/07</u>
Administration	\$ 16,820	5,789
Health and Safety	58,052	18,619
Support	75,253	53,598
Labor	78,477	13,186
Materials	78,477	6,014
Equipment/Training	18,349	10,176
Total	<u>\$ 325,428</u>	<u>107,382</u>

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

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Total</u>	<u>Actual Expenses</u>	
			<u>10/01/06 - 3/31/07</u>	<u>4/01/06 - 9/30/06</u>
Administration	\$ 27,430	27,430	12,854	14,576
Health and Safety	98,822	116,532	57,900	58,632
Support	127,325	184,273	48,759	135,514
Labor	132,857	128,322	80,073	48,249
Materials	132,857	62,734	48,956	13,778
Equipment/Training	10,063	1,714	1,714	--
Total	<u>\$ 529,354</u>	<u>521,005</u>	<u>250,256</u>	<u>270,749</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. IPL-07-11A
(Contract Period 1/01/07 - 12/31/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/07 - 9/30/07</u>
Administration	\$ 1,640	584
Support	3,280	1,062
Labor	13,937	5,537
Materials	<u>13,937</u>	<u>5,078</u>
Total	<u>\$ 32,794</u>	<u>12,261</u>

SEE INDEPENDENT AUDITOR'S REPORT

OPERATION THRESHOLD
Iowa Department of Human Rights

Schedule of Expenses Compared to Budget

Weatherization Assistance Programs

Contract No. MEC-07-11A
(Contract Period 1/01/07 - 12/31/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/07 - 9/30/07</u>
Administration	\$ 9,687	6,892
Health and Safety	--	300
Support	19,374	12,296
Labor	82,342	74,476
Materials	82,342	50,771
Total	<u>\$ 193,745</u>	<u>144,735</u>

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

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses</u>		
		<u>Total</u>	<u>10/01/06 - 12/31/06</u>	<u>1/01/06 - 9/30/06</u>
Administration	\$ 10,507	9,687	--	9,687
Support	21,013	16,677	--	16,677
Labor	89,309	103,500	7,415	96,085
Materials	89,309	80,274	8,978	71,296
Total	<u>\$ 210,138</u>	<u>210,138</u>	<u>16,393</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-07-11A
(Contract Period 1/01/07 - 12/31/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 1/01/07 - 9/30/07</u>
Administration	\$ 347	347
Support	694	512
Labor	2,949	2,460
Materials	2,949	3,620
Total	\$ 6,939	6,939

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-08-11-FA
(Contract Period 7/01/07 - 06/30/08)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 7/01/07- 9/30/07</u>
Grant Expenses		
Administrative	\$ 24,976	6,975
Personnel	211,631	48,497
Travel	6,990	1,892
Space/Utilities	2,200	778
Other	8,384	2,289
Third Party Payments	1,162	74
Total Grant Expenses	<u>255,343</u>	<u>60,505</u>
Local Funds		
Travel	540	--
Space/Utilities	1,422	66
Other	5,366	--
Third Party Payments	1,162	--
Total Expenses	<u>\$263,833</u>	<u>60,571</u>

Contract No. FaDSS-06-11-FA - Continuation
(Contract Period 7/01/06 - 6/30/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Total</u>	<u>Actual Expenses</u>	
			<u>10/01/06 - 6/30/07</u>	<u>7/01/06 - 9/30/06</u>
Grant Expenses				
Administrative	\$ 24,725	23,010	17,476	5,534
Personnel	184,462	185,887	146,742	39,145
Travel	5,811	6,392	4,998	1,394
Space/Utilities	2,356	2,286	1,718	568
Other	9,439	9,218	7,610	1,608
Third Party Payments	3,104	3,104	3,104	--
Total Grant Expenses	<u>229,897</u>	<u>229,897</u>	<u>181,648</u>	<u>48,249</u>
Local Funds				
Administrative	1,950	1,949	1,949	--
Travel	723	723	723	--
Other	2,436	2,436	2,155	281
Third Party Payments	3,381	3,382	3,255	127
Total	<u>\$ 238,387</u>	<u>238,387</u>	<u>189,730</u>	<u>48,657</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. 5887A043

(Contract Period 10/01/06 - 9/30/07)

<u>Cost Category</u>	<u>Approved Budget</u>	<u>Actual Expenses 10/01/06 - 9/30/07</u>
Cash Grant Expenses		
Salary/Fringe	\$ 619,402	574,617
Contracted/Outside Services	2,310	841
Other	57,728	104,610
Indirect	76,664	76,036
Total Cash Grant Expenses	756,104	756,104
Noncash Expenses		
Food Vouchers Distributed		3,326,094
Total Expenses		4,082,198

SEE INDEPENDENT AUDITOR'S REPORT