

COMMUNITY OPPORTUNITIES, INC.
D/B/A NEW OPPORTUNITIES, INC.

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

YEAR ENDED SEPTEMBER 30, 2007

NEW OPPORTUNITIES, INC.

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NEW OPPORTUNITIES, INC.

BOARD OF DIRECTORS

Executive Board of Directors

Eugene Meiners	President
Rick Hecht	Vice President
Cynthia Emery	Secretary
Dan Kratoska	Treasurer

Board Members

Representing

<u>County</u>	<u>Government</u>	<u>Low-Income</u>	<u>Private</u>
Audubon	Bruce Nelson	Kay Steddom	Judie Miller
Calhoun	Gary Nicholson	Vacancy	Vacancy
Carroll	Eugene Meiners	Cynthia Emery	Dan Kratoska
Dallas	Bob Ockerman	Barb Maier	Tom Barringer
Greene	Mary Jane Fields	Tom Heater	Kyle Orris
Guthrie	James Petersen	Vacancy	Vacancy
Sac	Rick Hecht	Mary Dowling	Barton Thoreson

Agency Officials

Chad Jensen	Chief Executive Officer
Lynn Nulle	Chief Financial Officer

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of New Opportunities, Inc. as of September 30, 2007 and the related statements of activities, changes in net assets, 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 New Opportunities, Inc. as of and for the year ended 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 18, 2008 on our consideration of New 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
New 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.

Strombold, Bell, Hyman & Co. P.C.

Atlantic, Iowa
January 18, 2008

NEW OPPORTUNITIES, INC.
Statement of Financial Position
All Funds
September 30, 2007

ASSETS	Administrative Fund	Program Funds	Plant Fund	Total
Cash	\$ 152,604	\$ 181,559	\$ --	\$ 334,163
Investments	333,362	--	--	333,362
Receivables:				
Grantor agencies	--	541,125	--	541,125
Other sources	--	61,740	--	61,740
Prepaid expense	1,988	8,837	--	10,825
Inventory	18,959	--	--	18,959
Property and equipment at cost, less accumulated depreciation of \$634,396	--	--	272,668	272,668
Total Assets	<u>\$ 506,913</u>	<u>\$ 793,261</u>	<u>\$ 272,668</u>	<u>\$ 1,572,842</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Payables:				
Accounts	\$ 10,303	\$ 227,334	\$ --	\$ 237,637
Grantor agencies	--	9,363	--	9,363
Salaries and benefits	171,428	123,761	--	295,189
State advance	--	32,087	--	32,087
Deferred revenue	--	237,161	--	237,161
Total Liabilities	181,731	629,706	--	811,437
Net Assets				
Unrestricted	325,182	--	115,184	440,366
Temporarily restricted by grantor agencies	--	163,555	157,484	321,039
Total Net Assets	<u>325,182</u>	<u>163,555</u>	<u>272,668</u>	<u>761,405</u>
Total Liabilities and Net Assets	<u>\$ 506,913</u>	<u>\$ 793,261</u>	<u>\$ 272,668</u>	<u>\$ 1,572,842</u>

See notes to financial statements.

NEW OPPORTUNITIES, INC.
Statement of Activities
All Funds
Year Ended September 30, 2007

	<u>Administrative Fund</u>	<u>Program Funds</u>	<u>Plant Fund</u>	<u>Total</u>
Revenues:				
Governmental Funding Sources:				
Iowa Department of Human Rights	\$ --	\$ 1,726,257	\$ --	\$ 1,726,257
U.S. Department of Health and Human Services	--	1,961,396	--	1,961,396
Iowa Department of Public Health	--	1,210,751	--	1,210,751
Iowa Department of Education	--	1,186,225	--	1,186,225
Iowa Department of Human Services	--	272,283	--	272,283
Iowa Department of Economic Development	--	77,499	--	77,499
U.S. Department of Homeland Security	--	32,752	--	32,752
Various	--	237,267	--	237,267
In-Kind Contributions	--	504,651	--	504,651
Public Support and Contributions	138	393,317	--	393,455
Co-Funding	--	106,115	--	106,115
Investment Income	26,964	12,720	--	39,684
Investment in Plant	--	--	53,484	53,484
Miscellaneous	43,837	551,502	--	595,339
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	70,939	8,272,735	53,484	8,397,158
Expenditures:				
Head Start	--	2,673,138	--	2,673,138
Community Services Block Grant (CSBG)	--	222,810	--	222,810
Low-Income Home Energy Assistance Program (LIHEAP)	--	1,148,294	--	1,148,294
Weatherization Assistance	--	351,153	--	351,153
Maternal and Child Health	--	327,523	--	327,523
Family Planning	--	145,433	--	145,433
Immunization	--	17,732	--	17,732
Abstinence Education	--	12,485	--	12,485
Women, Infants and Children (WIC)	--	328,363	--	328,363
Child and Adult Care Food Program (CACFP) - Homes	--	391,920	--	391,920
Home Investment Partnership Program	--	88,878	--	88,878
Substance Abuse Programs	--	875,666	--	875,666
Empowerment Programs	--	847,924	--	847,924
Other Programs	--	798,405	--	798,405
Administration	121,174	--	--	121,174
Depreciation	--	--	59,805	59,805
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	121,174	8,229,724	59,805	8,410,703
Excess of Revenues Over Expenditures (Expenditures Over Revenues)	(50,235)	43,011	(6,321)	(13,545)
Change in Unrealized Gains and Losses on Investments, Other Than Trading Securities	7,069	--	--	7,069
	<hr/>	<hr/>	<hr/>	<hr/>
Change in Net Assets	\$(43,166)	\$ 43,011	\$(6,321)	\$(6,476)

See notes to financial statements.

NEW OPPORTUNITIES, INC.
 Statement of Changes in Net Assets
 All Funds
 Year Ended September 30, 2007

	<u>Administrative Fund</u>	<u>Program Funds</u>	<u>Plant Fund</u>	<u>Total</u>
Net Assets at Beginning of Year	\$ 94,885	\$ 120,544	\$ 265,773	\$ 481,202
Increase in Net Assets as a Result of Merger (Note 1.A)	273,463	--	13,216	286,679
Change in Net Assets	<u>(43,166)</u>	<u>43,011</u>	<u>(6,321)</u>	<u>(6,476)</u>
Net Assets at End of Year	<u>\$ 325,182</u>	<u>\$ 163,555</u>	<u>\$ 272,668</u>	<u>\$ 761,405</u>

See notes to financial statements.

NEW OPPORTUNITIES, INC.
Statement of Functional Expenditures
Administrative Fund and Program Funds
Year Ended September 30, 2007

	Administrative Fund	Program Funds	Total
Salaries and wages	\$ 288,605	\$ 2,364,313	\$ 2,652,918
Fringe benefits	81,071	646,025	727,096
Assistance to individuals	--	1,801,865	1,801,865
Professional fees and contracted services	44,842	1,066,544	1,111,386
Travel	13,306	198,619	211,925
Occupancy	7,529	168,523	176,052
Utilities and telephone	7,309	124,828	132,137
Supplies and materials	19,495	477,498	496,993
Equipment	5,095	112,478	117,573
Printing, publications and postage	3,081	46,609	49,690
Insurance	10,058	42,270	52,328
Miscellaneous	10,964	199,205	210,169
Co-funding	--	106,115	106,115
In-kind:			
Labor	--	192,128	192,128
Materials and other	--	312,523	312,523
	491,355	7,859,543	8,350,898
Total Expenditures Before Allocation of Indirect Costs			
Allocation of indirect costs	(370,181)	370,181	--
Total Expenditures	\$ 121,174	\$ 8,229,724	\$ 8,350,898

See notes to financial statements.

NEW OPPORTUNITIES, INC.
Statement of Cash Flows
Year Ended September 30, 2007

Cash flows from operating activities:	
Cash received from State Agencies	\$ 4,462,137
Cash received from Federal Grantor	1,988,887
Contributions received	393,455
Investment income	37,500
Other receipts	806,528
Cash paid to employees and suppliers	(7,661,541)
Interest paid	(11)
Net cash provided by operating activities	<u>26,955</u>
Cash flows from investing activities:	
Property and equipment expenditures	(53,484)
Change in investments	(41,396)
Net cash used in investing activities	<u>(94,880)</u>
Cash flows from financing activities:	
Merger of New View	211,870
Proceeds from note payable	12,000
Principal paid on note payable	(12,000)
Net cash provided by financing activities	<u>211,870</u>
Net increase in cash	143,945
Cash and cash equivalents at beginning of year	<u>190,218</u>
Cash and cash equivalents at end of year	<u>\$ 334,163</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$(6,476)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	59,805
Change in unrealized gains and losses on investments	(7,069)
Changes in assets and liabilities	
Accrued interest receivable	(2,184)
Receivables	(91,832)
Prepaid expenses	8,263
Inventory	(11,023)
Payables	9,079
Deferred revenue	<u>68,392</u>
Total adjustments	<u>33,431</u>
Net cash provided by operating activities	<u>\$ 26,955</u>

See notes to financial statements.

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Community Opportunities, Inc. d/b/a New 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. New 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.

During the year ended September 30, 2007, the Agency combined its 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 were merged into the Agency, and New View is no longer a going concern. Also effective October 1, 2006, Community Opportunities, Inc. began doing business under the name of New Opportunities, Inc.

New 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 72% of its revenues from four governmental funding sources. The Agency has renewed substantially all of these governmental funding sources for fiscal year October 1, 2007 to September 30, 2008.

B. Fund Accounting

The accounts of New 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.

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

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 (pages 20-21) 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.

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

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, 2007, 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, 2007.

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.

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

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, 2007.

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.

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

NOTE 2 - INDIRECT COST RATE AGREEMENT

New 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 (17%) for fiscal year October 1, 2006 to September 30, 2007. The Indirect Cost allowed is calculated by multiplying the approved predetermined rate (17%) 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 - MANAGED CARE CONTRACT

The Agency's substance abuse treatment and rehabilitation services are being reimbursed under a managed care contract administered by Magellan Behavioral Health, Inc. The Agency received approximately 4% of its total support and revenue through this contract for the twelve months ended September 30, 2007. The Agency's managed care contract for its current five county service area has been renewed for fiscal year ending September 30, 2008.

NOTE 4 - DEPOSITS AND INVESTMENTS

The Agency's deposits at September 30, 2007 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:

Certificates of deposit	\$ 265,181
Equity securities	62,891
Accrued interest receivable	<u>5,290</u>
	<u>\$ 333,362</u>

All equity securities are classified as available for sale. None of the \$62,891 of equity securities is covered by any form of insurance against loss.

Investment income for the year ended September 30, 2007 is comprised of the following:

Interest income	\$ 36,054
Dividend income	<u>3,630</u>
	<u>\$ 39,684</u>

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment comprising the plant fund at September 30, 2007, 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	152,487	343,660
Maternal Health/Child Health	--	--	10,242	10,242
Low Income Home Energy Assistance Program	--	--	96,106	96,106
Substance Abuse	30,869	--	83,070	113,939
Weatherization Assistance	--	19,609	42,176	61,785
Women, Infants and Children	--	--	7,822	7,822
Other Grantors	--	--	12,145	12,145
General Agency	220,782	--	17,472	238,254
United Way	--	--	7,037	7,037
Total Cost	<u>269,895</u>	<u>192,538</u>	<u>444,631</u>	<u>907,064</u>
Less Accumulated Depreciation	<u>(140,944)</u>	<u>(182,734)</u>	<u>(310,718)</u>	<u>(634,396)</u>
Net	<u>\$ 128,951</u>	<u>\$ 9,804</u>	<u>\$ 133,913</u>	<u>\$ 272,668</u>

The components of the Agency's accumulated depreciation at September 30, 2007 are as follows:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Balance Beginning of Year	\$ 130,972	\$ 178,812	\$ 264,807	\$ 574,591
Current Year Depreciation	<u>9,972</u>	<u>3,922</u>	<u>45,911</u>	<u>59,805</u>
Balance End of Year	<u>\$ 140,944</u>	<u>\$ 182,734</u>	<u>\$ 310,718</u>	<u>\$ 634,396</u>

NOTE 6 - LEASE COMMITMENT

New 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 a vehicle, copy machines, and a mailing system under non-cancelable operating leases expiring through February, 2012.

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

NOTE 6 - LEASE COMMITMENT - Continued

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2007 are as follows:

Year Ending September 30,		
2008	\$	27,558
2009		25,088
2010		21,037
2011		20,721
2012		8,634
Total minimum future rental payments	\$	103,038

Rental expense under all operating leases for the year ended September 30, 2007 totaled approximately \$16,000.

Subsequent to year end, the Agency entered into a lease for additional office space with monthly rentals of \$8,500. The lease has a term of seven years commencing April 1, 2008. The landlord has agreed to construct a 15,500 square foot addition to the office building. After completion of the addition, the Agency has the option, until April 1, 2009, to purchase the entire building for \$1,389,000. Exercise of this purchase option shall terminate the lease.

NOTE 7 - PENSION AND RETIREMENT BENEFITS

Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.90% (was 3.70% through June 30, 2007) of their annual salary and the Agency is required to contribute 6.05% (was 5.75% through June 30, 2007) of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended September 30, 2007, 2006, and 2005 were approximately \$148,200, \$102,800, and \$101,400, respectively, equal to the required contribution for that year.

Tax-Sheltered Annuity

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

NEW OPPORTUNITIES, INC.
Notes to Financial Statements
September 30, 2007

NOTE 7 - 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, 2007, the Agency's contributions amounted to \$558 which is 2 percent of its current year covered payroll of \$27,914. Employees' contributions of all participants amounted to \$2,619. The Agency's total current year payroll for all employees was \$2,652,918.

NOTE 8 - CONTINGENCIES

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, 2008.

Federal Assistance Grants

New 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

New 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.

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SUPPLEMENTAL INFORMATION

NEW OPPORTUNITIES, INC.
Schedule of Activities - Program Funds
Year Ended September 30, 2007

	<u>Head Start - Early Head Start</u>	<u>Early Head Start Empowerment</u>	<u>Immigration Advocacy</u>
Revenues:			
Governmental Funding Sources:			
Iowa Department of Human Rights	\$ --	\$ --	\$ --
U.S. Department of Health and Human Services	1,961,396	--	--
Iowa Department of Public Health	--	--	--
Iowa Department of Education	106,056	--	--
Iowa Department of Human Services	--	--	--
Iowa Department of Economic Development	--	--	--
U.S. Department of Homeland Security	--	--	--
Various	--	116,529	45,120
In-Kind Contributions	478,529	--	--
Public Support and Contributions	--	--	4,363
Co-funding	--	--	2,577
Investment income	--	--	--
Miscellaneous	<u>10,628</u>	<u>--</u>	<u>--</u>
Total Revenues	2,556,609	116,529	52,060
Expenditures:			
Salaries and wages	1,007,022	33,057	28,413
Fringe benefits	251,343	10,817	6,563
Assistance to individuals	--	--	--
Professional fees and contracted services	46,093	46,552	30
Travel	74,180	2,427	98
Occupancy	64,380	5,673	2,465
Utilities and telephone	39,936	2,512	3,777
Supplies and materials	251,724	7,805	129
Equipment	56,098	--	382
Printing, publications and postage	7,030	37	115
Insurance	12,522	--	76
Miscellaneous	109,502	2,544	82
Co-Funding	--	--	--
In-Kind:			
Labor	170,948	--	--
Materials and other	<u>307,581</u>	<u>--</u>	<u>--</u>
Total Expenditures Before Allocation of Indirect Costs	2,398,359	111,424	42,130
Allocation of Indirect Costs	<u>158,250</u>	<u>5,105</u>	<u>4,522</u>
Total Expenditures	<u>2,556,609</u>	<u>116,529</u>	<u>46,652</u>
Excess of Revenues Over Expenditures (Expenditures Over Revenues)	--	--	5,408
Net Assets (Liabilities) at Beginning of Year	<u>--</u>	<u>9,482</u>	<u>2,885</u>
Net Assets (Liabilities) at End of Year	<u>\$ --</u>	<u>\$ 9,482</u>	<u>\$ 8,293</u>

(continued next page)

Schedule 1

<u>CSBG</u>	<u>County Outreach</u>	<u>Housing Program</u>	<u>CACFP</u>	<u>WIC</u>	<u>Child Health</u>
\$ 222,810	\$ 4,000	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	328,363	94,064
--	--	--	387,380	--	--
--	--	77,499	--	--	--
--	32,752	--	--	--	--
--	2,313	--	--	--	--
--	--	--	--	--	--
--	167,917	70	--	--	--
--	72,385	--	--	--	6,961
--	149	--	--	--	--
--	--	--	--	--	112,593
<u>222,810</u>	<u>279,516</u>	<u>77,569</u>	<u>387,380</u>	<u>328,363</u>	<u>213,618</u>
54,138	61,055	6,617	48,968	167,999	118,283
14,871	19,209	3,102	13,952	48,346	31,622
763	83,226	--	303,610	--	--
6,074	895	73,872	397	21,998	18,376
10,613	12,166	2,055	3,365	14,764	4,872
948	24,163	436	1,100	10,400	3,357
1,871	20,455	647	1,953	5,176	5,475
4,312	6,533	239	5,533	26,803	6,373
1,419	6,190	12	288	378	1,691
5,629	2,668	463	2,952	3,870	2,890
50	1,234	330	75	605	711
7,388	37,165	50	1,843	1,264	3,735
106,115	--	--	--	--	--
--	--	--	--	--	--
<u>214,191</u>	<u>274,959</u>	<u>87,823</u>	<u>384,036</u>	<u>301,603</u>	<u>197,385</u>
<u>8,619</u>	<u>10,216</u>	<u>1,055</u>	<u>7,884</u>	<u>26,760</u>	<u>18,763</u>
<u>222,810</u>	<u>285,175</u>	<u>88,878</u>	<u>391,920</u>	<u>328,363</u>	<u>216,148</u>
--	(5,659)	(11,309)	(4,540)	--	(2,530)
--	<u>28,710</u>	<u>1,062</u>	--	<u>102</u>	<u>(10,509)</u>
<u>\$ --</u>	<u>\$ 23,051</u>	<u>\$(10,247)</u>	<u>\$(4,540)</u>	<u>\$ 102</u>	<u>\$(13,039)</u>

NEW OPPORTUNITIES, INC.
Schedule of Activities - Program Funds - Continued
Year Ended September 30, 2007

	<u>Dental Health</u>	<u>Maternal Health</u>	<u>Family Planning</u>
Revenues:			
Governmental Funding Sources:			
Iowa Department of Human Rights	\$ --	\$ --	\$ --
U.S. Department of Health and Human Services	--	--	--
Iowa Department of Public Health	12,356	51,661	52,357
Iowa Department of Education	--	--	--
Iowa Department of Human Services	--	--	--
Iowa Department of Economic Development	--	--	--
U.S. Department of Homeland Security	--	--	--
Various	--	--	--
In-Kind Contributions	--	--	--
Public Support and Contributions	--	--	--
Co-funding	1	--	22,213
Investment income	--	--	--
Miscellaneous	--	53,551	64,961
	<u>12,357</u>	<u>105,212</u>	<u>139,531</u>
Total Revenues			
	12,357	105,212	139,531
Expenditures:			
Salaries and wages	45	64,233	55,736
Fringe benefits	7	19,716	16,877
Assistance to individuals	--	--	--
Professional fees and contracted services	12,297	3,496	19,269
Travel	--	1,359	3,015
Occupancy	--	2,494	7,722
Utilities and telephone	--	1,787	3,333
Supplies and materials	--	6,097	23,245
Equipment	--	272	441
Printing, publications and postage	--	1,007	3,379
Insurance	1	261	566
Miscellaneous	--	414	2,949
Co-Funding	--	--	--
In-Kind:			
Labor	--	--	--
Materials and other	--	--	--
	<u>12,350</u>	<u>101,136</u>	<u>136,532</u>
Total Expenditures Before Allocation of Indirect Costs			
	12,350	101,136	136,532
Allocation of Indirect Costs	<u>7</u>	<u>10,239</u>	<u>8,901</u>
	<u>12,357</u>	<u>111,375</u>	<u>145,433</u>
Total Expenditures			
Excess of Revenues Over Expenditures (Expenditures Over Revenues)	--	(6,163)	(5,902)
Net Assets (Liabilities) at Beginning of Year	<u>--</u>	<u>20,101</u>	<u>--</u>
Net Assets (Liabilities) at End of Year	<u>\$ --</u>	<u>\$ 13,938</u>	<u>\$ (5,902)</u>

(continued next page)

<u>Hawk-I</u>	<u>Abstinence Education</u>	<u>Immunization</u>	<u>Pregnancy Prevention</u>	<u>I-Smile</u>	<u>Child Lead</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
12,206	12,485	17,615	--	46,331	44,967
--	--	--	--	--	--
--	--	--	55,344	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
689	--	118	--	97	--
--	--	--	--	--	--
--	--	124	--	--	13,696
<u>12,895</u>	<u>12,485</u>	<u>17,857</u>	<u>55,344</u>	<u>46,428</u>	<u>58,663</u>
2,292	4,376	2,661	11,430	14,143	25,918
652	983	773	4,364	3,393	6,176
--	--	--	--	--	--
6,281	--	11,958	7,615	130	11,002
174	119	617	1,853	564	281
--	--	--	264	268	1,209
--	--	--	231	456	372
3,226	92	1,295	23,314	17,993	790
--	--	--	7	5,650	630
--	230	10	3,947	180	882
--	--	--	25	25	377
--	6,000	--	314	1,290	4
--	--	--	--	--	--
--	--	--	--	--	--
<u>12,625</u>	<u>11,800</u>	<u>17,314</u>	<u>53,364</u>	<u>44,092</u>	<u>47,641</u>
<u>359</u>	<u>685</u>	<u>418</u>	<u>1,923</u>	<u>2,336</u>	<u>4,191</u>
<u>12,984</u>	<u>12,485</u>	<u>17,732</u>	<u>55,287</u>	<u>46,428</u>	<u>51,832</u>
(89)	--	125	57	--	6,831
<u>--</u>	<u>--</u>	<u>(250)</u>	<u>--</u>	<u>--</u>	<u>8,909</u>
<u>\$(89)</u>	<u>\$ --</u>	<u>\$(125)</u>	<u>\$ 57</u>	<u>\$ --</u>	<u>\$ 15,740</u>

NEW OPPORTUNITIES, INC.
Schedule of Activities - Program Funds - Continued
Year Ended September 30, 2007

	Weatherization Assistance Programs		
	LIHEAP	HEAP	Department of Energy
Revenues:			
Governmental Funding Sources:			
Iowa Department of Human Rights	\$ 1,148,294	\$ 115,880	\$ 132,498
U.S. Department of Health and Human Services	--	--	--
Iowa Department of Public Health	--	--	--
Iowa Department of Education	--	--	--
Iowa Department of Human Services	--	--	--
Iowa Department of Economic Development	--	--	--
U.S. Department of Homeland Security	--	--	--
Various	--	--	--
In-Kind Contributions	--	--	--
Public Support and Contributions	--	--	--
Co-funding	--	--	--
Investment income	--	--	--
Miscellaneous	--	--	--
	1,148,294	115,880	132,498
Total Revenues	1,148,294	115,880	132,498
Expenditures:			
Salaries and wages	81,808	--	--
Fringe benefits	25,730	--	--
Assistance to individuals	996,122	95,149	132,498
Professional fees and contracted services	4,100	--	--
Travel	6,219	--	--
Occupancy	5,061	--	--
Utilities and telephone	8,220	--	--
Supplies and materials	5,550	--	--
Equipment	972	--	--
Printing, publications and postage	1,268	--	--
Insurance	59	20,731	--
Miscellaneous	678	--	--
Co-Funding	--	--	--
In-Kind:			
Labor	--	--	--
Materials and other	--	--	--
	1,135,787	115,880	132,498
Total Expenditures Before Allocation of Indirect Costs	1,135,787	115,880	132,498
Allocation of Indirect Costs	12,507	--	--
Total Expenditures	1,148,294	115,880	132,498
Excess of Revenues Over Expenditures (Expenditures Over Revenues)	--	--	--
Net Assets (Liabilities) at Beginning of Year	--	--	--
Net Assets (Liabilities) at End of Year	\$ --	\$ --	\$ --

See accompanying independent auditor's report.

Weatherization
Assistance
Programs

<u>Utility Company</u>	<u>Substance Abuse Prevention</u>	<u>Substance Abuse Treatment</u>	<u>Childhood Empowerment</u>	<u>Other</u>	<u>Total</u>
\$ 102,775	\$ --	\$ --	\$ --	\$ --	\$ 1,726,257
--	--	--	--	--	1,961,396
--	207,132	329,730	--	1,484	1,210,751
--	--	--	692,789	--	1,186,225
--	79,145	--	119,130	18,664	272,283
--	--	--	--	--	77,499
--	--	--	--	--	32,752
--	--	--	--	73,305	237,267
--	26,122	--	--	--	504,651
--	118,623	36,925	2,624	62,795	393,317
--	--	--	--	1,074	106,115
--	--	--	12,571	--	12,720
--	--	135,290	20,810	139,849	551,502
102,775	431,022	501,945	847,924	297,171	8,272,735
--	183,038	225,752	64,717	102,612	2,364,313
--	56,812	64,623	16,587	29,507	646,025
102,775	--	--	395	87,327	1,801,865
--	19,733	5,074	747,675	3,627	1,066,544
--	23,144	21,378	7,082	8,274	198,619
--	8,610	19,721	1,641	8,611	168,523
--	6,884	12,906	1,352	7,485	124,828
--	47,484	24,243	2,677	12,041	477,498
--	10,549	21,836	959	4,704	112,478
--	3,404	4,926	496	1,226	46,609
--	1,176	3,083	1,627	(1,264)	42,270
--	6,381	10,790	116	6,696	199,205
--	--	--	--	--	106,115
--	21,180	--	--	--	192,128
--	4,942	--	--	--	312,523
102,775	393,337	414,332	845,324	270,846	7,859,543
--	30,933	37,064	2,600	16,844	370,181
102,775	424,270	451,396	847,924	287,690	8,229,724
--	6,752	50,549	--	9,481	43,011
--	--	--	--	60,052	120,544
\$ --	\$ 6,752	\$ 50,549	\$ --	\$ 69,533	\$ 163,555

NEW OPPORTUNITIES, INC.
Schedule of Expenditures of Federal Awards*
Year Ended September 30, 2007

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 6107/40
Head Start Program	93.600	07CH 6107/41
Early Head Start	93.600	07CH 6107/40
Early Head Start	93.600	07CH 6107/41
<i>Subtotal Direct Programs</i>		
Indirect Programs		
Iowa Department of Human Rights		
Community Services Block Grant	93.569	CSBG 07-01CB
Low-Income Home Energy Assistance Program	93.568	LIHEAP-07-01-B
Weatherization Assistance	93.568	HEAP 06-01B
Weatherization Assistance	93.568	HEAP 07-01B
Family Development Self Sufficiency Grant	93.558	
Iowa Department of Public Health		
Maternal Health	93.994	5887 MH07
Child Health	93.994	5887 MH07
Dental Health	93.994	5887 MH07
Family Planning	93.217	5887 MH07
I-4 Project (Immunization)	93.268	5886 I438
I-4 Project (Immunization)	93.268	5887 I438
Abstinence Only Education	93.235	5887 AB44
Comprehensive Substance Abuse Prevention	93.959	5887 CP04
Comprehensive Substance Abuse Prevention	93.959	5888 CP04
Youth Mentoring	93.558	DCAT-06-061
Youth Mentoring	93.558	DCAT-07-061
Youth Mentoring	93.558	DCAT-06-182
Youth Mentoring	93.558	DCAT-07-182
Juvenile Accountability and Alcohol Drug Education Program	93.558	CJJP-07-B1-001
Community Partnership for Protecting Children	93.558	BDPS-07-025
Iowa Department of Human Services		
Child Care Resource and Referral	93.575	
Community for Adolescent Pregnancy Prevention	93.558	BDPS-06-062
Community for Adolescent Pregnancy Prevention	93.558	BDPS-06-062
Iowa Department of Education		
Early Childhood Funds Under Empowerment	93.558	
Early Childhood Funds Under Empowerment	93.558	
<i>Subtotal Indirect Programs</i>		
<i>Total U.S. Department of Health and Human Services</i>		
U.S. Department of Homeland Security		
Direct Programs		
Emergency Food and Shelter Program	97.024	
Emergency Food and Shelter Program	97.024	
<i>Total U.S. Department of Homeland Security</i>		

(continued next page)

<u>Period of Grant</u>	<u>Federal Expenditures</u>
12/01/05 - 11/30/06	\$ 336,699
12/01/06 - 11/30/07	1,140,844
12/01/05 - 11/30/06	109,735
12/01/06 - 11/30/07	<u>374,118</u>
	1,961,396
10/01/06 - 09/30/07	222,810
10/01/06 - 09/30/07	1,148,294
04/01/06 - 03/31/07	71,520
04/01/07 - 03/31/08	44,360
10/01/06 - 09/30/07	4,000
10/01/06 - 09/30/07	40,786
10/01/06 - 09/30/07	75,384
10/01/06 - 09/30/07	8,649
10/01/06 - 09/30/07	52,357
01/01/06 - 12/31/06	2,517
01/01/07 - 12/31/07	8,052
10/01/06 - 06/30/07	12,485
07/01/06 - 06/30/07	39,414
07/01/07 - 06/30/08	17,355
07/01/06 - 06/30/07	13,572
07/01/07 - 06/30/08	3,066
07/01/06 - 06/30/07	22,930
07/01/07 - 06/30/08	3,018
10/01/06 - 09/30/07	13,821
10/01/06 - 09/30/07	7,971
07/01/07 - 06/30/08	18,664
07/01/06 - 06/30/07	44,697
07/01/07 - 06/30/08	10,647
07/01/06 - 06/30/07	53,319
07/01/07 - 06/30/08	<u>12,744</u>
	<u>1,952,432</u>
	<u>3,913,828</u>
01/01/06 - 12/31/06	7,121
01/01/07 - 12/31/07	<u>25,631</u>
	32,752

NEW OPPORTUNITIES, INC.
Schedule of Expenditures of Federal Awards - continued*
Year Ended September 30, 2007

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant or Program Number</u>
U.S. Department of Energy		
Indirect Programs		
Iowa Department of Human Rights		
Weatherization Assistance	81.042	DOE 06-01 B
Weatherization Assistance	81.042	DOE 07-01 B
<i>Total U.S. Department of Energy</i>		
U.S. Department of Agriculture		
Indirect Programs		
Iowa Department of Public Health		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5887 A033
Iowa Department of Education		
Child and Adult Care Food Program (Day Care Homes)	10.558	14-8015
Child and Adult Care Food Program (Head Start)	10.558	14-8010
<i>Total U.S. Department of Agriculture</i>		
U.S. Department of Housing and Urban Development		
Indirect Program		
Iowa Department of Economic Development		
Home Investment Partnership Program	14.239	01 HM 213
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>
04/01/06 - 03/31/07	\$ 82,083
04/01/07 - 03/31/08	<u>50,415</u>
	132,498
10/01/06 - 09/30/07	328,363
10/01/06 - 09/30/07	387,380
10/01/06 - 09/30/07	<u>106,056</u>
	821,799
03/10/00 - 02/29/08	<u>77,499</u>
	<u>\$ 4,978,376</u>

NEW OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Community Services Block Grant
 Year Ended September 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number CSBG 07-01CB</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 222,810	\$ 222,810	\$ --
Program Expenditures:			
Personnel	\$ 70,469	\$ 69,009	\$ 1,460
Travel	9,770	10,613	(843)
Space Costs	2,500	1,157	1,343
Equipment	2,850	2,146	704
Consultants	1,400	1,400	--
Co-Funded Programs	97,950	106,115	(8,165)
Other Costs	29,157	23,751	5,406
Indirect Costs	8,714	8,619	95
Total Expenditures	<u>\$ 222,810</u>	<u>\$ 222,810</u>	<u>\$ --</u>

See accompanying independent auditor's report.

NEW OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Low-Income Home Energy Assistance Program
 Year Ended September 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number LIHEAP-07-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 1,185,450	\$ 1,148,294	\$ 37,156
Program Expenditures:			
Regular Assistance	\$ 879,340	\$ 882,788	\$(3,448)
Energy Crisis Intervention Payments	73,337	39,533	33,804
Client Services	53,294	46,494	6,800
Summer Deliverable Fuel Program	73,801	73,801	--
Administration Costs	<u>105,678</u>	<u>105,678</u>	<u>--</u>
Total Expenditures	<u>\$ 1,185,450</u>	<u>\$ 1,148,294</u>	<u>\$ 37,156</u>

See accompanying independent auditor's report.

NEW OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number HEAP 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 271,790	\$ 71,520	\$ 200,270
Program Expenditures:			
Administration Costs	\$ 14,298	\$ 5,216	\$ 9,082
Weatherization Materials	64,413	3,080	61,333
Support Costs	27,351	23,152	4,199
Labor	66,733	20,674	46,059
Health and Safety	49,067	8,767	40,300
Equipment and Training	39,297	--	39,297
Pollution Occurrence Insurance	10,631	10,631	--
Total Expenditures	<u>\$ 271,790</u>	<u>\$ 71,520</u>	<u>\$ 200,270</u>
<u>Contract Number HEAP 07-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 255,666	\$ 44,360	\$ 211,306
Program Expenditures:			
Administration Costs	\$ 11,972	\$ --	\$ 11,972
Weatherization Materials	55,046	919	54,127
Support Costs	52,783	23,665	29,118
Labor	55,046	4,896	50,150
Health and Safety	40,719	4,780	35,939
Equipment and Training	30,000	--	30,000
Pollution Occurrence Insurance	10,100	10,100	--
Total Expenditures	<u>\$ 255,666</u>	<u>\$ 44,360</u>	<u>\$ 211,306</u>

See accompanying independent auditor's report.

NEW OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number DOE 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 97,843	\$ 82,083	\$ 15,760
Program Expenditures:			
Administration Costs	\$ 5,831	\$ 3,987	\$ 1,844
Weatherization Materials	25,223	38,121	(12,898)
Support Costs	23,203	7,960	15,243
Labor	19,556	18,917	639
Health and Safety	24,030	13,098	10,932
Total Expenditures	<u>\$ 97,843</u>	<u>\$ 82,083</u>	<u>\$ 15,760</u>
<u>Contract Number DOE 07-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 166,731	\$ 50,415	\$ 116,316
Program Expenditures:			
Administration Costs	\$ 19,852	\$ 14,355	\$ 5,497
Weatherization Materials	39,712	12,997	26,715
Support Costs	38,079	4,759	33,320
Labor	39,712	11,094	28,618
Health and Safety	29,376	7,210	22,166
Total Expenditures	<u>\$ 166,731</u>	<u>\$ 50,415</u>	<u>\$ 116,316</u>

See accompanying independent auditor's report.

NEW OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2007

	<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	\$ 9,786	\$ 9,526	\$ 260
Program Expenditures:			
Administrative Costs	\$ --	\$ --	\$ --
Weatherization Materials	4,186	4,287	(101)
Support Costs	569	569	--
Labor	<u>5,031</u>	<u>4,670</u>	<u>361</u>
Total Expenditures	<u>\$ 9,786</u>	<u>\$ 9,526</u>	<u>\$ 260</u>
<u>Contract Number IPL 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 7,055	\$ 7,055	\$ --
Program Expenditures:			
Administrative Costs	\$ 1,000	\$ 208	\$ 792
Weatherization Materials	3,379	2,450	929
Support Costs	1,083	1,021	62
Labor	<u>1,593</u>	<u>3,376</u>	<u>(1,783)</u>
Total Expenditures	<u>\$ 7,055</u>	<u>\$ 7,055</u>	<u>\$ --</u>
<u>Contract Number MEC 06-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 38,879	\$ 38,879	\$ --
Program Expenditures:			
Administrative Costs	\$ 4,306	\$ 3,446	\$ 860
Weatherization Materials	14,217	14,626	(409)
Support Costs	3,439	3,368	71
Labor	<u>16,917</u>	<u>17,439</u>	<u>(522)</u>
Total Expenditures	<u>\$ 38,879</u>	<u>\$ 38,879</u>	<u>\$ --</u>

See accompanying independent auditor's report.

NEW OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures Compared to Budget
 Weatherization Assistance Programs
 Year Ended September 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Contract Number AQU 07-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 18,594	\$ 9,871	\$ 8,723
Program Expenditures:			
Administrative Costs	\$ 930	\$ --	\$ 930
Weatherization Materials	7,902	4,315	3,587
Support Costs	1,860	1,645	215
Labor	<u>7,902</u>	<u>3,911</u>	<u>3,991</u>
Total Expenditures	<u>\$ 18,594</u>	<u>\$ 9,871</u>	<u>\$ 8,723</u>
<u>Contract Number IPL 07-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 56,857	\$ 16,907	\$ 39,950
Program Expenditures:			
Administrative Costs	\$ 2,843	\$ --	\$ 2,843
Weatherization Materials	24,164	8,747	15,417
Support Costs	5,686	2,465	3,221
Labor	<u>24,164</u>	<u>5,695</u>	<u>18,469</u>
Total Expenditures	<u>\$ 56,857</u>	<u>\$ 16,907</u>	<u>\$ 39,950</u>
<u>Contract Number MEC 07-01B</u>			
Program Revenues:			
Iowa Department of Human Rights	\$ 86,138	\$ 20,537	\$ 65,601
Program Expenditures:			
Administrative Costs	\$ 4,306	\$ --	\$ 4,306
Weatherization Materials	36,609	7,254	29,355
Support Costs	8,614	2,849	5,765
Labor	<u>36,609</u>	<u>10,434</u>	<u>26,175</u>
Total Expenditures	<u>\$ 86,138</u>	<u>\$ 20,537</u>	<u>\$ 65,601</u>

See accompanying independent auditor's report.

NEW OPPORTUNITIES, INC.
 Schedule of Revenues and Expenditures
 Administrative Fund
 Year Ended September 30, 2007

	<u>Miscellaneous</u>	<u>Indirect Cost Pool</u>	<u>Total</u>
Revenues:			
Public Support and Contributions	\$ 138	\$ --	\$ 138
Investment Income	26,964	--	26,964
Miscellaneous	<u>43,181</u>	<u>656</u>	<u>43,837</u>
Total Revenues	<u>\$ 70,283</u>	<u>\$ 656</u>	<u>\$ 70,939</u>
Expenditures:			
Salaries and Wages	\$ 22,198	\$ 266,407	\$ 288,605
Fringe Benefits	--	81,071	81,071
Professional Fees and Contracted Services	219	44,623	44,842
Travel	1,290	12,016	13,306
Occupancy	35	7,494	7,529
Utilities and Telephone	--	7,309	7,309
Supplies and Materials	151	19,344	19,495
Equipment	12,791	(7,696)	5,095
Printing, Publications and Postage	128	2,953	3,081
Insurance	--	10,058	10,058
Miscellaneous	<u>1,949</u>	<u>9,015</u>	<u>10,964</u>
Total Expenditures Before Allocation of Indirect Costs	38,761	452,594	491,355
Allocation of Indirect Costs	<u>--</u>	<u>(370,181)</u>	<u>(370,181)</u>
Total Expenditures	<u>\$ 38,761</u>	<u>\$ 82,413</u>	<u>\$ 121,174</u>

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

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
New Opportunities, Inc.
Carroll, Iowa

We have audited the financial statements of New Opportunities, Inc. as of and for the year ended September 30, 2007, and have issued our report thereon dated January 18, 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 New Opportunities, Inc.'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 our opinion on the effectiveness of New Opportunities, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the 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 Agency's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood a misstatement of the Agency's financial statements, that is more than inconsequential, will not be prevented or detected by the Agency's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

To the Board of Directors of
New Opportunities, Inc.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New 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.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2007 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.

New Opportunities, Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to management in a separate letter dated January 18, 2008.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of New 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.

Granewell, Bell, Kyleson & Co. P.C.

Atlantic, Iowa
January 18, 2008

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

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

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

Compliance

We have audited the compliance of New 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 its major federal programs for the year ended September 30, 2007. New Opportunities, Inc.'s major federal programs are identified 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 its major federal programs is the responsibility of New Opportunities, Inc.'s management. Our responsibility is to express an opinion on New 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 New Opportunities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New Opportunities, Inc.'s compliance with those requirements.

In our opinion, New Opportunities, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2007. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07.

To the Board of Directors of
New Opportunities, Inc.

Internal Control Over Compliance

The management of New 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 New 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, 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 New Opportunities, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Agency's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the Agency'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 Agency's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-07 and III-C-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Agency's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

New Opportunities, Inc.'s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusion on the Agency's responses, we did not audit New Opportunities, Inc.'s responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of New 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.

Stonehill, Bell, Kyles + Co. P.C.

Atlantic, Iowa
January 18, 2008

NEW OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (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 Nutrition Program for Women, Infants and Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) New Opportunities, Inc. did not qualify as a low-risk auditee.

NEW OPPORTUNITIES, INC.
Schedule of Findings and Questioned Costs
Year ended September 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended September 30, 2007.

SIGNIFICANT DEFICIENCIES:

II-A-07 System Administration: The Chief Financial Officer has system administration responsibilities within the computerized accounting system and performs journal entries without review by another knowledgeable individual. As a result, the internal accounting control associated with the computerized accounting system is weakened.

Recommendation: The system administrative responsibility should be outsourced and a manual review should be performed of all journal entries.

Response and Corrective Action Planned: The Agency will delegate the responsibility of the system administrator to an outside organization and another knowledgeable individual will review journal entries.

Conclusion: Response accepted.

NEW OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

CFDA Number 10.558 - Child and Adult Care Food Program (CACFP)

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

Federal Award Year: 2007

U.S. Department of Agriculture

Passed through the Iowa Department of Education

III-A-07 Monitoring: The Agency is required to perform monitoring visits for child care homes participating in the CACFP. During our audit we noted several participants were monitored but did not have all three visits necessary to be in compliance.

Recommendation: Child care homes participating in CACFP are to be reviewed not less than three times annually per the responsibilities outlined in the CNP-47 HP that describes the responsibilities of the Home Sponsor participating in the CACFP.

Response and Corrective Action Planned: The visits were performed and accepted by the State of Iowa in December, 2007.

Conclusion: Response accepted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 93.600 - Head Start and Early Head Start Programs

Agency Numbers: 07CH 6107(40) and 07CH 6107(41)

Federal Award Years: 2006 and 2007

U.S. Department of Health and Human Services

CFDA Number 93.568 - Low-Income Home Energy Assistance Program (LIHEAP)

Pass-through Numbers: LIHEAP-07-01-B

Federal Award Year: 2007

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 (CACFP)

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

Federal Award Year: 2007

U.S. Department of Agriculture

Passed through the Iowa Department of Education

CFDA Number 10.557 - Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Agency Numbers: 5887 A033

Federal Award Year: 2007

U.S. Department of Agriculture

Passed through the Iowa Department of Public Health

NEW OPPORTUNITIES, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

Part III: Findings and Questioned Costs For Federal Awards - continued:

III-B-07 System Administration: The Agency did not properly segregate System Administrator duties, including those related to Federal programs. See audit finding II-A-07.

CFDA Number 93.568 - Low-Income Home Energy Assistance Program (LIHEAP)

Pass-through Numbers: LIHEAP-07-01-B

Federal Award Year: 2007

U.S. Department of Health and Human Services

Passed through the Iowa Department of Human Rights

III-C-07 Cash Accounts: The Agency maintains a separate checking account for the LIHEAP expenditures. These expenditures are reviewed using the same process as other expenditures, however there is no evidence of departmental approval noted on the support documents that accompany the check.

Recommendation: The Agency should eliminate the LIHEAP checking account and require departmental approval for LIHEAP expenditures.

Response and Corrective Action Planned: The separate account will be eliminated and supporting documentation will be approved for all LIHEAP expenditures.

Conclusion: Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

No matters were noted.

* * *