



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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June 18, 2009

Board of Directors
Ohio Valley Opportunities, Inc. and Subsidiaries
711 Green Rd., P.O. Box 1159
Madison, IN 47250

We have reviewed the audit report prepared by McCauley, Nicolas & Company, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Ohio Valley Opportunities, Inc. and Subsidiaries, as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**OHIO VALLEY OPPORTUNITIES, INC.
AND SUBSIDIARIES
Madison, Indiana**

**REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended December 31, 2007

C O N T E N T S

Independent Auditors' Report	1 and 2
Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 – 13
Supplemental Information:	
Consolidated Statement of Functional Expenses	14 - 16
Schedule of Expenditures of Federal Awards	17 and 18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 and 20
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	21 and 22
Schedule of Findings and Questioned Costs	23
Schedule of Prior Audit Findings	24
Exit Conference	25

Board of Directors
Ohio Valley Opportunities, Inc. and Subsidiaries
Madison, Indiana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statement of financial position of Ohio Valley Opportunities, Inc. (a nonprofit organization) and Subsidiaries (collectively, the "Entities") as of December 31, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Entities' 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 consolidated 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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Entities as of December 31, 2007, and the changes in 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 September 25, 2008, on our consideration of the Entities' internal control over financial reporting and on our tests of their 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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MEMBER

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Our audit was performed for the purpose of forming an opinion on the consolidated financial statements of the Entities taken as a whole. The Schedule of Functional Expenses on pages 14 through 16 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of the Entities. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
September 25, 2008

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 278,484
Certificate of deposit	161,005
Inventory	23,201
Grants receivable	291,069
Accounts receivable	89,914
Prepaid expenses	138,447
Interest receivable	173,463
Current portion of notes receivable - related parties	198,615

TOTAL CURRENT ASSETS

1,354,198

PROPERTY, PLANT AND EQUIPMENT, NET

4,188,516

OTHER ASSETS

Notes receivable - related parties	981,000
Advance receivable - related party	100,000
Development fee receivable	106,425

TOTAL OTHER ASSETS

1,187,425

TOTAL ASSETS

\$ 6,730,139

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$ 233,304
Accounts payable	564,861
Accrued wages	60,956
Accrued interest payable	3,222
Security deposits	7,220
Payroll withholdings	10,443
Due to funding source	20,140
Other liabilities	71,951

TOTAL CURRENT LIABILITIES

972,097

LONG-TERM LIABILITIES

Long-term debt, less current portion	1,073,581
Contingent liability (See Note 10)	-

TOTAL LIABILITIES

2,045,678

NET ASSETS

Common stock (See Note 1)	-
Retained earnings	(147)
Unrestricted	4,684,608

TOTAL NET ASSETS

4,684,461

TOTAL LIABILITIES AND NET ASSETS

\$ 6,730,139

See notes to consolidated financial statements.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended December 31, 2007

REVENUES AND SUPPORT

Grant revenue	\$ 5,301,126
Food supply revenue	101,153
Local support	5,000
In-kind revenue	567,189
Rental income	128,616
Donations	763,048
Other income	64,535
Interest income	64,641
Gain on disposal of asset	<u>3,500</u>

TOTAL REVENUES AND SUPPORT

6,998,808

EXPENSES

Community Services Block Grant	189,327
Section 8 Housing	1,166,240
Owner Occupied Rehabilitation	207,007
Scott County Resource Center	613
Casa Amiga	19,790
Weatherization	293,517
Child Care Development Center	7,931
Energy Assistance	1,603,736
C.H.D.O. Works	21,160
JEFS Center	10,918
Home	7,298
North Vernon Project	135,069
Apple Blossom Court Apartments	15,793
Senior Citizens	7,010
Individual Development Account	1,509
Community Foundation	50
Madison Service Center	62,595
Headstart	2,401,755
Evenstart	120,164
Development	15,650
Ohio Valley Housing Development Corp.	<u>33</u>

TOTAL EXPENSES

6,287,165

CHANGE IN NET ASSETS

711,643

BEGINNING NET ASSETS

3,972,818

ENDING NET ASSETS

\$ 4,684,461

See notes to consolidated financial statements.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2007

OPERATING ACTIVITIES	
Change in net assets	\$ 711,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	89,762
Donation of property and equipment	(750,000)
Gain on disposal of property and equipment	(3,500)
(Increase) decrease in:	
Inventory	(11,273)
Grants receivable	92,694
Accounts receivable	(28,876)
Development fees receivable	53,575
Interest receivable	(44,457)
Other assets	(12,374)
Increase (decrease) in:	
Accounts payable	(73,109)
Accrued wages	20,925
Security deposits	(1,155)
Payroll withholdings	1,884
Due to funding source	5,611
Other liabilities	<u>12,111</u>
Net cash provided by operating activities	<u>63,461</u>
INVESTING ACTIVITIES	
Proceeds from the sale of property and equipment	3,500
Purchase of property and equipment	(26,766)
Advance to related parties	(32,000)
Purchase of certificates of deposit	(56,827)
Proceeds received on note receivable	<u>6,905</u>
Net cash (used by) investing activities	<u>(105,188)</u>
FINANCING ACTIVITIES	
Payments on mortgage payable	<u>(31,716)</u>
Cash (used by) financing activities	<u>(31,716)</u>
Net decrease in cash	(73,443)
OPERATING CASH AND CASH EQUIVALENTS	
Beginning of year	<u>351,927</u>
End of year	<u>\$ 278,484</u>
SUPPLEMENTAL INFORMATION	
Interest paid	<u>\$ 59,021</u>
Other noncash investing and financing activities	
Purchase of property and equipment	\$ 776,766
Donation of property and equipment	<u>(750,000)</u>
Cash paid for purchase of property and equipment	<u>\$ 26,766</u>

See notes to consolidated financial statements.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Ohio Valley Opportunities, Inc. (OVO) and Subsidiaries (collectively, "the Entities") is presented to assist in understanding the Entities' consolidated financial statements. The consolidated financial statements and notes are representations of the Entities' management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

The more significant accounting policies are as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Ohio Valley Opportunities, Inc. and its subsidiary, Ohio Valley Housing Development, Inc. These financial statements do not reflect any activity of its wholly-owned subsidiary SVC Apartments, Inc. As further discussed in Note 5, SVC Apartments, Inc. is the general partner of SVCA, L.P. Total equity in SVC Apartments, Inc. is approximately \$100 as of December 31, 2007. Significant intercompany transactions and balances have been eliminated in consolidation. See Note 13 for additional information.

Organization and Nature of Operations

OVO is a not-for-profit corporation, which administers various programs funded by the Federal government and the State of Indiana. These funds are used to provide for the planning and development of programs that intervene at critical points in poverty that will enable families and individuals to become more self-sufficient. The grants that OVO administers to accomplish this purpose primarily are Liheap-Energy Assistance; Liheap-Weatherization; Doe-Weatherization; Sweep-Weatherization; Community Services Block Grant; Headstart; Evenstart and child care development centers.

Ohio Valley Housing Development, Inc. is a C Corporation, which has ownership interests in Madison Apartments, LP. Ohio Valley Opportunities owns 100% of Ohio Valley Housing Development, Inc.'s 100 shares of common stock with a par value of \$1 each, which are authorized, issued and outstanding. (The cost value to purchase the stock has not been made.)

SVC Apartments, Inc. is a C Corporation, which has ownership interests in SVCA, LP. Ohio Valley Opportunities owns 100% of SVC Apartments, Inc.'s 100 shares of common stock with a par value of \$1 each, which are authorized, issued and outstanding. (The cost value to purchase the stock has not been made.)

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) 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.

Cash Equivalents

The Entities consider all short-term investments purchased, with an original maturity of three months or less, to be cash equivalents. There were no cash equivalents at December 31, 2007.

Receivables

The Entities use the allowance for bad debts method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts was required at December 31, 2007.

Inventory

Inventories consist of materials and supplies and are valued at the lower of cost (first-in, first-out) or market.

Property and Equipment

Real property is currently being capitalized and recorded at cost. Property and equipment donated are recorded at fair market value at date of donation. Major expenditures and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are charged to expense when incurred.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets, using the straight-line method. The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	40 years
Leasehold improvements	30 years
Vehicles	5 years
Equipment	5 years

Advertising

The Entities expense advertising costs as incurred. Total advertising costs for the year ended December 31, 2007 were approximately \$3,400.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE 2—HUD-RESTRICTED DEPOSITS

Under a regulatory agreement, OVO is required to set aside amounts for the replacement of property and other expenditures as approved by HUD for certain HUD funded projects. These restricted deposits are held in a separate account and generally are not available for operating purposes. The deposits totaled \$35,617 at December 31, 2007. This cash amount, although restricted, is included within "Cash" in the Consolidated Statement of Financial Position.

NOTE 3—THIRD PARTY REIMBURSEMENTS

Ohio Valley Opportunities, Inc. receives reimbursements from the State of Indiana. OVO must submit claims to the State for approval and payment. OVO depends significantly on this third party to carry out its program activities.

NOTE 4—GRANTS RECEIVABLE

Ohio Valley Opportunities, Inc. grants receivable consists of the following at December 31, 2007:

CSBG	\$ 35,306
Owner Occupied Rehabilitation	9,044
Doe Weatherization	14,326
Liheap Weatherization	18,457
Energy Assistance	155,565
Evenstart	3,909
Headstart	<u>54,462</u>
Total	<u>\$ 291,069</u>

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE 5—NOTES RECEIVABLE FROM RELATED ENTITIES

Ohio Valley Opportunities Inc. owns 100% of Ohio Valley Housing Development Corporation. Ohio Valley Housing Development Corporation is a .1% partner in Madison Apartments Limited Partnership (Valley Court Apartments). Ohio Valley Opportunities, Inc. owns 100% of SVC Apartments, Inc. SVC Apartments Inc. is a .01% owner and general partner of SVCA, LP. OVO has several notes receivable from Madison Apartments, L.P. and two from SVCA, LP which consist of the following:

Note 1 - IHFA	\$ 198,615
Note 2 - HOME	176,000
Note 3 - AHP	125,000
Note 4 - AHP	280,000
Note 5 - HOME	400,000
	<hr/>
	1,179,615
Less current portion	<hr/> (198,615)
Long-term portion notes receivable - related parties	<hr/> <u>\$ 981,000</u>

Note 1 - IHFA

OVO provided \$278,000 of funds to Madison Apartments, L.P. on October 13, 2000. The money was provided through a loan from the Indiana Housing Financing Authority (IHFA). The note requires interest on the outstanding principal balance to be accrued at the rate of 3% per annum. Principal and interest payments are to be made quarterly in the amount of \$4,981. All unpaid principal and interest was originally due October 2007. Management is currently working with the lender to renegotiate note terms.

Note 2 - HOME

OVO provided \$176,000 of funds to Madison Apartments, L.P. on November 2, 1998. The funds were provided under the Home Investment Partnership Program (HOME). The note requires interest to be accrued at the rate of 5.1% per annum, compounded annually. Accrued interest is to be paid annually by March 15 for the preceding year due to the extent of available cash flow, as defined. The note is due November 2, 2018.

Note 3 - AHP

OVO provided \$125,000 to Madison Apartments, L.P. on November 2, 1998, under the Affordable Housing Program (AHP). The note requires interest to be accrued at the rate of 1% per annum, compounded annually. Accrued interest is to be paid annually by March 15 for the preceding year to the extent of available cash flow, as defined. The note is due November 2, 2018.

Note 4 - AHP

OVO provided \$280,000 to SVCA, LP on July 27, 2005, under the Affordable Housing Program (AHP). The note requires interest to be accrued at the rate of 5% per annum, compounded annually. Accrued interest is to be paid annually to the extent of available cash flow, as defined. The note is due December 31, 2035.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE 5—NOTES RECEIVABLE FROM RELATED ENTITIES—Continued

Note 5 – HOME

OVO provided \$395,000 to SVCA, LP during 2005 and an additional \$5,000 during 2006, under the Home Investment Partnership Program (HOME). The note requires interest to be accrued at the rate of 5% per annum compounded annually. Accrued interest is to be paid annually to the extent of available cash flow, as defined. The note is due June 30, 2026.

NOTE 6—PROPERTY, PLANT AND EQUIPMENT

The Entities' property, plant and equipment consist of the following as of December 31, 2007:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 535,622	\$ -	\$ 535,622
Buildings	3,932,525	378,590	3,553,935
Leasehold improvements	77,488	20,665	56,823
Vehicles	503,748	488,378	15,370
Equipment	26,766	-	26,766
Total	<u>\$ 5,076,149</u>	<u>\$ 887,633</u>	<u>\$ 4,188,516</u>

Depreciation expense charged to operations during the year ended December 31, 2007 was \$89,762.

NOTE 7—ADVANCE RECEIVABLE

In 2003, OVO made property tax payments on behalf of Madison Apartments, L.P., a related party as described in Note 5. These payments have been recorded as an advance receivable – related party. In 2006, OVO advanced Madison Apartments, L.P. an additional \$48,076. During 2007, an additional \$32,000 was advanced to Madison Apartments, L.P. Interest is stated at prime (7.25% at December 31, 2007). OVO has not recognized this interest in the financial statements because management does not believe this amount will be collected. The total cumulative interest that would have been recorded is approximately \$15,000 at December 31, 2007. There are no repayment terms associated with the advance and, therefore, it is being reflected as a long-term asset in the Consolidated Statement of Financial Position. The advance totaled \$100,000 at December 31, 2007.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE 8—DUE TO FUNDING SOURCE

OVO receives advances from various funding sources. The amount of unspent advances remaining as of December 31, 2007 is as follows:

Energy Assistance	\$ 17,027
ICCF -R-1	2,521
Weatherization	<u>592</u>
Total	<u>\$ 20,140</u>

NOTE 9—LONG-TERM DEBT

Long-term debt at December 31, 2007 consists of the following:

A mortgage payable to Rural Housing Service, bearing interest at 6.875% adjusted to approximately 1% through subsidy allowance by Rural Housing Service, with monthly installments of \$638, including interest and a balloon payment due March 2031. The mortgage is for the purchase and rehabilitation of the North Vernon Apartments. The mortgage is secured by the apartment complex located in North Vernon, Indiana.	\$ 295,088
A mortgage payable to Rural Housing Service, bearing interest at 7.375% adjusted to approximately 1% through subsidy allowance by Rural Housing Service, with monthly installments of \$933, including interest and a balloon payment due September 2031. The mortgage is for the purchase and rehabilitation of the North Vernon Apartments. The mortgage is secured by the apartment complex located in North Vernon, Indiana.	432,022
A note payable to Indiana Housing Finance Authority, bearing interest at 3%, with quarterly installments of \$4,981 including interest and a balloon payment was originally due October 2007. Management is currently working with the lender to renegotiate note terms. The note is for the construction of the Valley Court Apartments of Madison (owned by Madison Apartments, LP) and is secured by the apartment complex located in Madison, Indiana.	198,615
A note payable to Indiana Housing Finance Authority, bearing interest at 2%, with quarterly installments of \$1,088, including interest and a balloon payment due June 2010. The note is for the final phase of construction for the Apple Blossom Court Apartments and is secured by the apartment complex located in Austin, Indiana.	51,419
A note payable to Scott County Bank, bearing interest at prime plus 1%, (8.25% at December 31, 2007), with monthly installments of \$4,797, including interest, through January 2016. The note was for construction of the Scott County Resource Center. Secured by separate real estate.	<u>329,741</u>
	1,306,885
Less current portion	<u>(233,304)</u>
Long-term debt, less current portion	<u>\$ 1,073,581</u>

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE 9—LONG-TERM DEBT—Continued

At December 31, 2007, maturities of long-term debt are as follows:

December 31, 2008	\$ 233,304
December 31, 2009	36,122
December 31, 2010	80,491
December 31, 2011	39,259
December 31, 2012	43,014
Thereafter	<u>874,695</u>
	<u>\$ 1,306,885</u>

Interest expense for the year ended December 31, 2007 was \$59,021.

NOTE 10—CONTINGENT LIABILITY

During 2005 and 2006, OVO received funds from the Indiana Housing and Finance Authority totaling \$395,000 and \$5,000, respectively. These funds were in the form of a forgivable loan. Should OVO fulfill certain requirements and maintain the operations of an apartment complex through June 2026, the loan will be forgiven. It is management's intent to comply with the provisions of this agreement and therefore these proceeds were reflected in the Statement of Activities as grant revenue.

NOTE 11—IN-KIND DONATIONS

The in-kind donations are recorded at fair market value on the date of the contribution. These donations are shown as in-kind revenue and in-kind expenses. The amount of in-kind donations for 2007 was \$567,189.

NOTE 12—INCOME TAXES

OVO is a non-profit corporation incorporated under the laws of the State of Indiana and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code.

OVO's wholly owned subsidiaries, Ohio Valley Housing Development Corp. and SVC Apartments, Inc., are organized as regular C corporations, and consequently are subject to federal, state, and local income tax on their earnings and profits. With respect to both corporations, there was no significant operating activity during the year ended December 31, 2007.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

NOTE 13—RELATED PARTY INFORMATION/INVESTMENTS

OVO has ownership interest and/or control over various entities as indicated below:

- Ohio Valley Housing Development Corp. - OVO is a 100% sole stockholder.
- SVC Apartments, Inc. - OVO is a 100% sole stockholder.
- Madison Apartments, LP – Ohio Valley Housing Development Corp. is a .1% owner and general partner.
- SVCA, LP – SVC Apartments, Inc. is a .01% owner and general partner.

The above Partnerships were established principally to acquire real estate and to develop one or more multi-family dwelling units.

NOTE 14—CONCENTRATION OF RISK

Cash Concentration Risk

At December 31, 2007, the Entities' cash is maintained with multiple financial institutions. The balance is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, OVO's uninsured balance totaled approximately \$476,000.

Group Concentration Risk

OVO is substantially funded by grants and contracts awarded directly and indirectly by the federal government and State of Indiana. The majority of the agreements contain provisions which permit the arrangement to be terminated or the funds provided to be reduced if the unit of government does not appropriate adequate funds to maintain the current funding levels.

NOTE 15—PENSION PLAN

OVO has a defined contribution retirement plan covering all of its employees who meet certain guidelines as to age and years of service. Under the Plan, OVO contributes approximately 5% percent of the employees' wages. The amount contributed to the Plan by OVO was \$48,461 for the year ended December 31, 2007.

NOTE 16—GUARANTEED INDEBTEDNESS OF RELATED PARTY

As of December 31, 2007, OVO is contingently liable for operating deficits of SVCA, LP not to exceed \$45,000. No material loss is anticipated. (See Note 13 for related party information.)

SUPPLEMENTAL INFORMATION

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2007

	Community Services Block Grant	Section 8 Housing	OORP	Scott Resource Center	Casa Amiga	Weatherization	Child Care Development Center	Energy Assistance	C.H.D.O. Works
Salaries and wages	\$ 127,374	\$ 70,831	\$ 31,947	\$ -	\$ 1,200	\$ 126,436	\$ -	\$ 100,843	\$ 15,738
Payroll taxes	9,493	6,490	2,484	-	1,210	5,295	-	9,384	1,386
Employee benefits	18,528	19,012	2,402	-	9	37,690	-	24,402	3,602
Total personnel costs	155,395	96,333	36,833	-	2,419	169,421	-	134,629	20,726
Occupancy	-	-	-	609	4,200	1,004	-	-	314
Telephone	7,278	2,216	-	4	1,527	1,148	51	-	-
Postage	817	2,529	37	-	4	-	-	12,258	-
Contracted services	-	1,005,442	159,589	-	11,177	45,788	-	-	-
Materials and supplies	5,428	7,080	711	-	359	60,329	-	5,236	24
Equipment	-	-	-	-	-	-	-	-	-
Travel and transportation	1,156	1,479	89	-	-	3,659	-	456	96
Training	-	-	-	-	104	-	-	-	-
Other costs	16,461	8,828	9,748	-	-	8,244	-	21,208	-
Specific assistance	-	42,333	-	-	-	-	-	1,429,949	-
Interest expense	2,792	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	3,924	7,880	-	-
In-kind expenses	-	-	-	-	-	-	-	-	-
Total expenses	\$ 189,327	\$ 1,166,240	\$ 207,007	\$ 613	\$ 19,790	\$ 293,517	\$ 7,931	\$ 1,603,736	\$ 21,160

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2007

	JEFS Center	Home	North Vernon Project	ABC Apartments	Senior Citizens	Individual Development Account	Community Foundation	Madison Service Center	Headstart
Salaries and wages	\$ -	\$ -	8,946	\$ 1,320	\$ 1,047	\$ 1,451	\$ -	\$ -	\$ 886,554
Payroll taxes	-	-	1,637	-	89	58	-	-	98,063
Employee benefits	-	-	-	-	247	-	-	-	333,979
Total personnel costs	-	-	10,583	1,320	1,383	1,509	-	-	1,318,596
Occupancy	-	-	45,070	4,269	2,902	-	-	1,235	84,423
Telephone	-	-	2,339	122	-	-	-	350	20,124
Postage	-	-	72	-	16	-	-	-	-
Contracted services	-	-	22,522	1,820	-	-	-	-	89,559
Materials and supplies	-	-	863	-	764	-	-	-	214,177
Equipment	-	-	-	-	-	-	-	-	8,193
Travel and transportation	-	-	-	124	-	-	-	-	52,264
Training	-	-	-	-	-	-	-	-	25,416
Other costs	-	-	1,798	-	1,945	-	-	4,999	21,814
Specific assistance	-	-	-	-	-	-	50	-	-
Interest expense	-	7,298	17,187	491	-	-	-	31,253	-
Depreciation	10,918	-	34,635	7,647	-	-	-	24,758	-
In-kind expenses	-	-	-	-	-	-	-	-	567,189
Total expenses	\$ 10,918	\$ 7,298	\$ 135,069	\$ 15,793	\$ 7,010	\$ 1,509	\$ 50	\$ 62,595	\$ 2,401,755

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2007

	Evenstart	Development	Ohio Valley Housing Development, Inc.	SVC Apartments, Inc.	Total Expenses
Salaries and wages	\$ 66,767	\$ -	\$ -	\$ -	\$ 1,440,454
Payroll taxes	179	-	-	-	135,768
Employee benefits	29,112	-	-	-	468,983
Total personnel costs	96,058	-	-	-	2,045,205
Occupancy	-	-	-	-	144,026
Telephone	-	-	-	-	35,159
Postage	-	-	-	-	15,733
Contracted services	-	-	-	-	1,335,897
Materials and supplies	11,009	-	-	-	305,980
Equipment	-	-	-	-	8,193
Travel and transportation	6,097	-	-	-	65,420
Training	-	-	-	-	25,520
Other costs	7,000	15,650	33	-	117,728
Specific assistance	-	-	-	-	1,472,332
Interest expense	-	-	-	-	59,021
Depreciation	-	-	-	-	89,762
In-kind expenses	-	-	-	-	567,189
Total expenses	\$ 120,164	\$ 15,650	\$ 33	\$ -	\$ 6,287,165

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Federal
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>	<u>Number</u>	<u>Expenditures</u>
Direct:		
Headstart	93.600	\$ 1,696,346
Total direct programs		<u>1,696,346</u>
Pass-through State of Indiana Housing and Community Development Authority		
Community Services Block Grant	93.569	210,406
Energy Assistance Program	93.568	1,603,504
LIHEAP Weatherization	93.568	88,707
SWEEP Weatherization	93.568	25,435
Total pass-through programs		<u>1,928,052</u>
Pass-through Indiana Department of Commerce		
Individual Development Account	93.602	759
Total pass-through program		<u>759</u>
Total Department of Health and Human Services		<u>3,625,157</u>
<u>DEPARTMENT OF ENERGY</u>		
Pass-through State of Indiana Housing and Community Development Authority		
DOE Weatherization	81.042	170,098
Total pass-through program		<u>170,098</u>
Total Department of Energy		<u>170,098</u>
<u>DEPARTMENT OF AGRICULTURE</u>		
Pass-through State of Indiana Department of Education:		
Child and Adult Care Food Program	10.558	101,153
Total pass-through program		<u>101,153</u>
Total Department of Agriculture		<u>101,153</u>
<u>DEPARTMENT OF EDUCATION</u>		
Pass-through State Educational Career Center		
Evenstart	84.213	120,164
Total pass-through program		<u>120,164</u>
Total Department of Education		<u>120,164</u>

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—Continued
for the year ended December 31, 2007

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Pass-through State of Indiana Housing and Community Development Authority		
Section 8 Housing	14.871	<u>1,167,132</u>
Total pass-through program		<u>1,167,132</u>
Pass-through Indiana Housing Finance Authority		
Owner Occupied Rehabilitation Resolutions	14.239	197,206
C.H.D.O. Works	14.228	<u>21,160</u>
Total pass-through programs		<u>218,366</u>
Total Department of Housing and Urban Development		<u>1,385,498</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 5,402,070</u></u>

NOTE A - Basis of Presentation:

The schedule of expenditures of federal awards 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.



**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
Ohio Valley Opportunities, Inc. and Subsidiaries
Madison, Indiana

We have audited the financial statements of Ohio Valley Opportunities, Inc. and Subsidiaries (a non-profit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated September 25, 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 Ohio Valley Opportunities, Inc. and Subsidiaries' 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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

Our consideration of 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 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 Ohio Valley Opportunities, Inc. and Subsidiaries' 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, 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
September 25, 2008



**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
Ohio Valley Opportunities, Inc. and Subsidiaries
Madison, Indiana

Compliance

We have audited the compliance of Ohio Valley Opportunities, Inc. and Subsidiaries (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 December 31, 2007. Ohio Valley Opportunities, Inc. and Subsidiaries' major federal programs are identified in the summary of auditors' 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 Ohio Valley Opportunities, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on Ohio Valley Opportunities, Inc. and Subsidiaries' 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 Ohio Valley Opportunities, Inc. and Subsidiaries' 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 Ohio Valley Opportunities, Inc. and Subsidiaries' compliance with those requirements. In our opinion, Ohio Valley Opportunities, Inc. and Subsidiaries 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 December 31, 2007.

Internal Control Over Compliance

The management of Ohio Valley Opportunities, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ohio Valley Opportunities, Inc. and Subsidiaries' 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 Ohio Valley Opportunities, Inc. and Subsidiaries' internal control over compliance.

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 purposed 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.

Ohio Valley Opportunities, Inc. and Subsidiaries' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Ohio Valley Opportunities, Inc. and Subsidiaries' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, 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.

McCauley, Nicolas & Company, LLC
McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
September 25, 2008

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended December 31, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Ohio Valley Opportunities, Inc. and Subsidiaries.
2. No reportable conditions were disclosed during the audit of the financial statements reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Ohio Valley Opportunities, Inc. and Subsidiaries were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Ohio Valley Opportunities, Inc. and Subsidiaries expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Ohio Valley Opportunities, Inc. and Subsidiaries.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA #</u>
LIHEAP Weatherization	93.568
Energy Assistance Program	93.568
SWEEP Weatherization	93.568

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Ohio Valley Opportunities, Inc. and Subsidiaries was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

<u>Findings</u>	<u>Questioned Costs</u>
None	None

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES

SCHEDULE OF PRIOR AUDIT FINDINGS
for the year ended December 31, 2006

There were no findings or questioned costs reported for the year ended December 31, 2006.

OHIO VALLEY OPPORTUNITIES, INC. AND SUBSIDIARIES
Madison, Indiana

EXIT CONFERENCE

Subsequent to the conclusion of the audit, an exit conference was held.
Those in attendance, along with those associated with the audit report are as follows:

Representatives of the Agency:

Deb Myers, Executive Director

Charles Evans, Fiscal Director

Representatives of McCauley, Nicolas & Company, LLC:

John C. Pieper, Member

Karen Y. Basham, Manager

The following matters were discussed at the exit conference:

- A. The format and content of the audit report draft.
- B. The Agency's review and approval of the audit report.