CINCINNATI'S OPTIMUM
RESIDENTIAL ENVIRONMENTS, INC.

Financial Statements

December 31, 2006 and December 31, 2005

P&A PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS
8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 . (513) 891-2722 . FAX (513) 891-2760
ONE PRESTIGE PLACE, SUITE 520 / DAYTON, OH 45342 . (937) 433-0400 . FAX (937) 433-0429

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

March 20, 2007

Cincinnati's Optimum Residential Environments, Inc.
75 Tri-County Parkway
Cincinnati, Ohio 45246

We have reviewed the accompanying statements of financial position of Cincinnati's Optimum Residential Environments, Inc. (a nonprofit organization) as of December 31, 2006 and December 31, 2005 and the related statements of activities, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Cincinnati's Optimum Residential Environments, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Certified Public Accountants

Cincinnati's Optimum Residential Environments, Inc.
Statements of Financial Position
December 31, 2006 and 2005

	2006	2005
Assets		
Cash and Cash Equivalents	$9,625	$26,114
Investments	740,442	661,053
Accounts Receivable-Program Services	431,681	336,094
Prepaid Expenses and Other Assets	30,358	38,672
Fixed Assets		
Land and Land Improvements	362,344	362,344
Buildings and Building Improvements	2,335,394	2,314,594
Furniture and Equipment	197,136	197,689
Vehicles	119,773	119,773
Total	3,014,647	2,994,401
Less Accumulated Depreciation	(725,918)	(628,820)
Total	2,288,729	2,365,581
Total Assets	$3,500,835	$3,427,514
Liabilities and Net Assets		
Accounts Payable and Accrued Expenses	$87,798	$133,935
Accrued Payroll, Payroll Taxes and Fringe Benefits	469,737	357,159
Line of Credit	201,263	211,702
Mortgages Payable	698,181	740,843
Capital Lease Payable	58,672	82,533
Total Liabilities	1,515,651	1,526,171
Net Assets-Unrestricted	1,985,184	1,901,342
Total Liabilities and Net Assets	$3,500,835	$3,427,514

See accompanying notes and accountant's report.

Cincinnati's Optimum Residential Environments, Inc.
Statements of Activities
For the Years Ended December 31, 2006 and 2005

	2006	2005
Revenues, Gains, and Other Support		
Program Services Fees	$5,355,087	$5,190,618
Investment Income	64,008	34,641
Donations	6,720	5,152
Miscellaneous	4,759	3,839
Total Unrestricted Revenues, Gains and Other Support	5,430,574	5,234,249
Expenses		
Program Services	4,808,608	4,702,619
Supporting Services	538,124	525,454
Total Expenses	5,346,732	5,228,072
Increase in Unrestricted Net Assets Before Other Changes	83,842	6,177
Other Changes		
Non-cash Contribution	0	829,584
Increase in Unrestricted Net Assets	83,842	835,761
Net Assets, Beginning of Year	1,901,342	1,065,581
Net Assets, End of Year	$1,985,184	$1,901,342

See accompanying notes and accountant's report.

Cincinnati's Optimum Residential Environments, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Increase in Unrestricted Net Assets	$83,842	$835,761
Adjustment to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities		
Depreciation	114,896	103,265
(Gain) Loss on Investments	(53,042)	(24,237)
Non-cash contribution	0	(829,584)
(Increase) Decrease in Receivables	(95,587)	(89,515)
(Increase) Decrease in Prepaid Expenses and Other Assets	8,314	12,805
Increase (Decrease) in Accounts Payable and Accrued Expenses	(46,137)	50,243
Increase (Decrease) in Accrued Payroll, Payroll Taxes and Fringe Benefits	112,578	(5,483)
Net Cash Provided (Used) by Operating Activities	124,864	53,255
Cash Flows From Investing Activities		
Purchase of Investments	(658,349)	(499,602)
Proceeds of Investments	632,002	475,264
Purchase of Fixed Assets	(38,044)	(300,387)
Net Cash Provided (Used) by Investing Activities	(64,391)	(324,725)
Cash Flows From Financing Activities		
Principal Payments on Long Term Debt	(83,876)	(70,410)
Principal Payments on Line of Credit	(4,848,186)	(5,063,785)
Proceeds of Additional Borrowing	4,837,747	5,392,534
Proceeds of Capital Lease	17,353	0
Net Cash Provided (Used) by Financing Activities	(76,962)	258,339
Net Increase (Decrease) in Cash and Cash Equivalents	(16,489)	(13,131)
Cash, Beginning of Year	26,114	39,245
Cash, End of Year	$9,625	$26,114

Supplemental Cash Flow Information:
2006 Interest paid - $78,215
2005 Interest paid - $70,516
2005 Noncash contribution of fixed assets - $829,584

See accompanying notes and accountant's report.

CINCINNATI'S OPTIMUM RESIDENTIAL ENVIRONMENTS, INC.

Notes to Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Description - Cincinnati's Optimum Residential Environments, Inc. (CORE) is a not-for-profit organization incorporated under the laws of Ohio and is exempt from federal income tax. CORE is dedicated to providing quality residential services to individuals with mental retardation and/or development disabilities.

Principles of Accounting - CORE prepares its financial statements in accordance with generally accepted accounting principles.

Financial Statement Presentation - The Organization follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments – Under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable – Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management believes uncollectible amounts would be immaterial to the financial statements.

Buildings, Furniture and Equipment - Buildings, furniture and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Depreciation expense was $114,896 and $103,265 for the years ended December 31, 2006 and December 31, 2005, respectively.

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 affect disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of increases and decreases in net assets during the reporting period. Actual results could differ from those estimates.

Sources of Revenue - Significant revenues come from governmental contracts with the State of Ohio. CORE believes they will continue to benefit from these contracts in future years.

Contributions – Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

2. LINE OF CREDIT

CORE has a line of credit with a borrowing capacity of $700,000. The line of credit bears interest at the bank's prime lending rate plus one-half percent. The line of credit is renewed every year on September 1 through PNC Bank.

The line of credit is secured by cash, accounts receivable and any other assets available. At year end, $201,263 was outstanding on a total borrowing capacity of $700,000 leaving $498,737 available. CORE draws on its line of credit as needed to cover checks written and presented for payment.

3. MORTGAGES PAYABLE

Mortgages payable consists of the following at December 31, 2006 and December 31, 2005.

	2006	2005
Fixed rate mortgage bearing an interest rate of 7.75%, payable in monthly installments of $510 (principal and interest) through 2008	$13,508	$18,358
Fixed rate mortgage bearing an interest rate of 7.75%, payable in monthly installments of $510 (principal and interest) through 2008	13,508	18,358
Fixed rate mortgage bearing an interest rate of 7.75%, payable in monthly installments of $693 (principal and interest) through 2011	33,364	38,446
Balloon Mortgage bearing an interest rate of 9.4%, payable in monthly installments of $3,401 (principal and interest) through 2009	303,474	314,771
Balloon Mortgage bearing an interest rate of 6.75%, payable in monthly installments of $1,204 (principal and interest) through 2013	114,813	121,170
Balloon Mortgage bearing an interest rate of 6.65%, payable in monthly installments of $901 (principal and interest) through 2013	88,386	93,068
Fixed rate mortgage bearing an interest rate of 7.25%, payable in monthly installments of $1,284 (principal and interest) through 2015	131,128	136,672
Total	$698,181	$740,843

Mortgage interest expense was included in program services (resident occupancy expense), consistent with state reporting requirements.

The mortgages are secured by land and buildings.

The aggregate maturities of mortgages payable at December 31, 2006 are as follows:

2007	$47,310
2008	51,174
2009	48,003
2010	46,610
2011	45,210
Thereafter	459,874
Total	$698,181

4. CAPITAL LEASE PAYABLE

The Organization leases its copier and various vehicles under capital leases and is recorded in the Organization's assets and liabilities.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2006:

Year Ended	
2007	$41,004
2008	11,845
2009	4,069
2010	4,069
2011	2,649
Total Minimum Lease Payments	$63,636
Less Amount Representing Interest	4,964
Present Value of Minimum Lease Payments	$58,672

Assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Equipment	$17,353
Vehicles	$86,844

5. INVESTMENTS

Investments are stated at fair value. Fair values and unrealized appreciation (depreciation) at December 31, 2006 and December 31, 2005 are summarized as follows:

2006	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Investments – Gradison	$704,843	$740,239	$35,396
Investments – Other	1,490	203	(1,287)
Total	$706,333	$740,442	$34,109

2005	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Investments – Gradison	$633,707	$660,582	$26,875
Investments – Other	1,490	471	(1,019)
Total	$635,197	$661,053	$25,856

The following schedule summarizes the investment return and its classification in the statement of activities:

	2006	2005
Interest and Dividends	$10,571	$10,405
Unrealized Gains (Losses)	4,936	(3,884)
Realized Gains	48,501	28,120
Total Investment Return	$64,008	$34,641

6. OTHER CHANGES

During 2005, CORE purchased ten houses from the State of Ohio for $103,696 plus closing costs. The fair market value (FMV) of these homes was $933,280 at the time of the purchase. The difference between the amount paid and the FMV was recognized as a non-cash contribution on the statement of activities. The Governor's Deed contains a restriction that prohibits CORE from selling, conveying or transferring ownership of the homes for a period of five years from the date of purchase.