OPPORTUNITY VILLAGE ARC

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

HOULDSWORTH
RUSSO & COMPANY
20 YEARS & COUNTING
Certified Public Accountants

OPPORTUNITY VILLAGE ARC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village ARC
Las Vegas, Nevada

We have audited the accompanying financial statements of Opportunity Village Association for Retarded Citizens (a nonprofit organization) ("Opportunity Village ARC"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Village ARC as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Opportunity Village ARC's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it was derived.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
October 19, 2017

Certified Public Accountants
20 YEARS & COUNTING

OPPORTUNITY VILLAGE ARC

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 655,511	$ 912,606
Cash and cash equivalents, restricted	218,881	-
Investments	450,134	401,179
Accounts receivable, net of allowance	2,564,458	2,060,287
Employee receivable, current	9,815	9,772
Unconditional promises to give, current	75,166	75,166
Due from Opportunity Village Foundation	155,199	-
Inventory	153,882	184,659
Prepaid expenses and other	345,760	283,501
	4,628,806	3,927,170
Property and equipment:		
Land	1,671,898	1,671,898
Buildings and improvements	37,471,777	36,561,375
Furniture, fixtures and equipment	9,107,977	9,112,941
Vehicles	1,084,925	1,046,702
Accumulated depreciation	(22,058,702)	(19,895,099)
	27,277,875	28,497,817
Other noncurrent assets:		
Deposits and other	27,154	920,993
Employee receivable, long-term	17,720	27,200
Unconditional promises to give, net	2,030,373	2,034,504
Down payment assistance receivable	229,351	229,351
	2,304,598	3,212,048
Total assets	$ 34,211,279	$ 35,637,035

OPPORTUNITY VILLAGE ARC

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2017 AND 2016

	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 319,582	$ 291,324
Accrued expenses	806,868	970,913
Due to Opportunity Village Foundation	-	2,909,306
Deferred income	20,000	71,869
Current portion of capital lease obligations	68,317	73,089
	1,214,767	4,316,501
Long-term liabilities:		
Deferred compensation	474,568	419,363
Capital lease obligations	100,409	168,726
Deposits	6,000	-
	580,977	588,089
	1,795,744	4,904,590
Net assets:		
Unrestricted	30,091,115	28,622,775
Temporarily restricted	2,324,420	2,109,670
	32,415,535	30,732,445
Total liabilities and net assets	$ 34,211,279	$ 35,637,035

OPPORTUNITY VILLAGE ARC

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Unrestricted activities		
Revenues, gains and support:		
Government support for services	$ 10,103,448	$ 9,857,110
Contributions	1,181,921	1,497,021
Federal grant revenue	25,000	1,846,586
Service contracts	7,310,538	7,193,250
Thrift store sales, net	976,930	1,092,558
General contract sales	4,060,025	3,938,784
Vehicle sales, net	23,858	17,775
Other	14,571	5,545
Gain on disposal of assets	-	63,036
Grants from Opportunity Village Foundation	5,680,232	2,298,210
Release of restrictions	4,131	3,995
Total revenues, gains and support	29,380,654	27,813,870
Expenses:		
Program services:		
Service contracts	7,320,264	7,236,363
Thrift store	1,251,973	1,231,302
Work-training and adult development	14,467,274	14,854,605
Support services:		
Management and general	4,872,803	5,373,877
Total expenses	27,912,314	28,696,147
Change in unrestricted net assets	1,468,340	(882,277)
Temporarily restricted activities		
Contributions	218,881	-
Release of restrictions	(4,131)	(3,995)
Change in temporarily restricted net assets	214,750	(3,995)
Increase (decrease) in net assets	1,683,090	(886,272)
Net assets, beginning of year	30,732,445	31,618,717
Net assets, end of year	$ 32,415,535	$ 30,732,445

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ARC

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Program Services					
	Service Contracts	Thrift Store	Work-training and Adult Development	Total Program Services	Management and General	Total 2017
Salaries, taxes and benefits	$ 3,311,355	$ 500,160	$ 8,488,502	$ 12,300,017	$ 3,511,213	$ 15,811,230
Payments to clients	2,990,927	302,601	957,040	4,250,568	163,352	4,413,920
Depreciation and amortization	25,279	35,642	2,008,622	2,069,543	225,402	2,294,945
Subcontracts and consulting	444,867	13,460	249,082	707,409	34,511	741,920
Utilities and telephone	92,380	98,399	648,424	839,203	129,747	968,950
Supplies	238,216	10,579	377,658	626,453	56,984	683,437
Rent	-	176,501	427,650	604,151	98,963	703,114
Repairs and maintenance	15,072	17,305	285,539	317,916	94,251	412,167
Contract services and freight	-	1,429	429,351	430,780	-	430,780
Transportation expenses	19,441	60,743	323,384	403,568	23,391	426,959
Professional fees	141	-	1,904	2,045	171,517	173,562
Bank fees and interest	11,266	11,737	34,106	57,109	13,083	70,192
Insurance	92,403	17,492	84,681	194,576	36,305	230,881
Advertising	288	42	717	1,047	-	1,047
Recruitment	15,919	2,318	39,592	57,829	2,127	59,956
Staff training and development	20,203	2,818	50,731	73,752	7,603	81,355
Bad debt expense	17,847	-	4,409	22,256	-	22,256
Conferences, travel and meals	2,728	203	8,251	11,182	70,429	81,611
Dues and subscriptions	4,240	225	6,183	10,648	213,273	223,921
Uniforms	16,265	73	15,630	31,968	5,611	37,579
Customer relations	1,210	39	13,710	14,959	8,611	23,570
Postage	217	207	12,108	12,532	6,430	18,962
Total expenses	$ 7,320,264	$ 1,251,973	$ 14,467,274	$ 23,039,511	$ 4,872,803	$ 27,912,314

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ARC

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flow from operating activities:		
Increase (decrease) in net assets	$ 1,683,090	$ (886,272)
Adjustments to reconcile decrease in net assets to net cash:		
Depreciation and amortization expense	2,294,945	2,311,999
(Gain)/loss on disposal of assets	-	(63,036)
Noncash grants from Opportunity Village Foundation	(4,235,270)	-
Donated assets	-	(4,158)
Bad debt expense	22,256	6,881
Unrealized gain on investments	(48,955)	(5,566)
Change in present value discount	(71,035)	(71,171)
Changes in operating assets and liabilities:		
Accounts receivable	(526,427)	460,722
Employee receivable	9,437	(2,156)
Unconditional promises to give	75,166	75,166
Prepaid expenses and other	(78,822)	117,367
Inventory	30,777	-
Accounts payable	28,258	(293,822)
Accrued expenses	(164,045)	(325,717)
Deferred compensation	55,205	
Deferred income	(51,869)	-
Due to/from Opportunity Village Foundation	1,170,765	2,452,480
Deposits	6,000	-
Net cash provided by operating activities	199,476	3,772,717
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	-	76,797
Purchase of property and equipment	(164,601)	(3,656,549)
Net cash used in investing activities	(164,601)	(3,579,752)
Cash flows from financing activities:		
Payments on capital lease obligations	(73,089)	(69,744)
Net cash used in financing activities	(73,089)	(69,744)
Net increase (decrease) in cash	(38,214)	123,221
Cash, beginning of year	912,606	789,385
Cash, end of year	$ 874,392	$ 912,606

OPPORTUNITY VILLAGE ARC

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

Summary of cash accounts:				
Cash and equivalents	$	655,511	$	912,606
Cash and equivalents, restricted		218,881		-
	$	874,392	$	912,606
Supplemental disclosures:				
Assets acquired through capital lease obligations	$	-	$	19,464
Assets acquired through energy credit conversion	$	910,402	$	-
Imputed interest on capital lease obligations	$	11,496	$	13,561

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Opportunity Village Association for Retarded Citizens ("Opportunity Village ARC") is a not-for-profit organization operated to assist and train adults with intellectual disabilities ("clients") through vocational training, employment and similarly organized activities in the Southern Nevada region. Opportunity Village ARC also operates one thrift store. Opportunity Village ARC receives funding from the State of Nevada and local government, as well as self-earned income.

The following is a summary of significant accounting policies:

Basis of Accounting

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

Basis of Presentation

Opportunity Village ARC presents its financial statements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Under the FASB ASC, Opportunity Village ARC is required to report information regarding its financial position and changes in financial position activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The prior year comparative information has been summarized as derived from the prior year audited financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates. Significant estimates include collectability of receivables and the estimated useful lives of fixed assets.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments with an initial maturity of three months or less and are stated at the lower of cost or market value. Opportunity Village ARC has concentrated its custodial credit risk by maintaining deposits in financial institutions which at most times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The loss would represent the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance. Opportunity Village ARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Inventory

Inventory consists of items used in the Employment Training Center and donated thrift store goods, and is stated at the lower of cost or market, if purchased, and approximate fair value at the date of donation, if donated. Costs are determined using the first-in, first-out method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable result from contracts for the services of Opportunity Village ARC clients, including contracts with the government, and are shown net of allowance. Management reviews accounts receivable balances to determine if an allowance for doubtful accounts is necessary. At June 30, 2017 and 2016, the allowance for doubtful accounts was $43,172 and $46,000, respectively. All amounts recorded are expected to be received within one year. As of and for the years ended June 30, 2017 and 2016, one customer made up 29% and 35% of accounts receivable, respectively, and one customer made up 22% and 22% of contract revenue, respectively.

Long-Lived Assets

Opportunity Village ARC reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Opportunity Village ARC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Opportunity Village ARC follows the provisions of the FASB ASC, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. Opportunity Village ARC believes that no adjustment for impairment is necessary at June 30, 2017 and 2016.

Property and Equipment

Opportunity Village ARC capitalizes all expenditures for property and equipment in excess of $2,500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Costs associated with the acquisition, development, and construction of a project are capitalized as construction in progress and are not depreciated until placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the associated assets. The useful lives are estimated as follows:

- 5 years for vehicles;
- 3 to 10 years for furniture and equipment;
- 5 to 47 years for buildings and improvements.

Advertising

Opportunity Village ARC expensed all of its advertising costs as they were incurred. Advertising costs totaled $1,047 and $28,455 during the years ended June 30, 2017 and 2016, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Opportunity Village ARC accounts for contributions in accordance with the FASB ASC. As such, contributions are recognized as revenue when they are received or unconditionally pledged at their estimated net realizable value. Unrestricted contributions are reported as increases in unrestricted net assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted support when the restriction is met in the same period as the contribution is received.

Opportunity Village ARC receives a substantial amount of donated clothing and furniture that is held-for-sale through its thrift store outlet. Assets unconditionally donated and retained by Opportunity Village ARC are recorded at fair value on the date of donation. Thrift store sales are shown net of markdowns.

Government support is obtained from various government agencies. Revenue is recorded in the same period as the costs are incurred. Service contracts are obtained from various public and private agencies throughout the community. Revenue is recorded in the same period as the costs are incurred.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Opportunity Village ARC provides management services, facilities maintenance, and custodial services to the Opportunity Village Foundation ("Foundation"), a not-for-profit organization organized to raise, invest, and distribute funds to promote the interests of persons with intellectual disabilities and to promote capital campaign drives, under an annual agreement. For the years ended June 30, 2017 and 2016, expenses under this agreement were $851,826 and $781,865, respectively.

Donated Services

Donated services are recognized as contributions in accordance with the FASB ASC, if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Opportunity Village ARC.

Comparative Financial Information and Reclassifications

The statement of functional expenses includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the FASB ASC. Accordingly, such information should be read in conjunction with Opportunity Village ARC's financial statements for the year ended June 30, 2016, from which the summarized information was derived. Additionally, certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Opportunity Village ARC is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code. In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. In accordance with the accounting standards, management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to six years.

Subsequent Events

Subsequent events have been evaluated through October 19, 2017, which is the date the financial statements were available to be issued.

2. INVESTMENTS

Investments consist of the following:

	As of June 30, 2017	As of June 30, 2016
Equity mutual funds	$ 195,376	$ 388,299
Equity securities	254,758	12,880
Total investments	$ 450,134	$ 401,179

Investment holdings at June 30, 2017 and 2016 were carried at fair value. Fair value is identified as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: “Level 1” inputs, such as quoted prices in an active market for identical assets or liabilities; “Level 2” inputs, which are observable inputs for similar assets; or “Level 3” inputs, which are unobservable inputs. Investment balances at June 30, 2017 and 2016 were valued using Level 1 inputs.

3. DOWN PAYMENT ASSISTANCE RECEIVABLE

Opportunity Village ARC received grant funding during the year ended June 30, 2002 to offer a down payment assistance loan program for clients to purchase a primary residence. Clients could receive a loan of up to $25,000 for down payment assistance for a personal and primary residence. Under the grant agreement, the clients must repay the loan upon the sale of the residence. At June 30, 2017 and 2016, the receivable balance outstanding under this program was $229,351 and $229,351, respectively.

4. FAIR VALUE MEASUREMENTS

Fair value is identified as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: "Level 1" inputs, such as quoted prices in an active market for identical assets or liabilities; "Level 2" inputs, which are observable inputs for similar assets; or "Level 3" inputs, which are unobservable inputs.

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2017				
Equity mutual funds	$ 195,376	$ -	$ -	$ 195,376
Equity securities	254,758	-	-	254,758
Total investments	$ 450,134	$ -	$ -	$ 450,134

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2016				
Equity mutual funds	$ 388,299	$ -	$ -	$ 388,299
Equity securities	12,880	-	-	12,880
Total investments	$ 401,179	$ -	$ -	$ 401,179

5. INCENTIVE INCOME – ENERGY CREDIT

Opportunity Village ARC received a grant of $1,500,000 during the year ended June 30, 2012 to install three solar panels on its property. Opportunity Village ARC assigned the grant monies to a third party, and the third party paid for and installed the solar panels. The third party owned the solar panel assets, and Opportunity Village ARC entered into an agreement to utilize the solar panels for 20 years. In exchange, Opportunity Village ARC received a credit of $1,500,000 to offset any future charges for solar energy use.

During the year ended June 30, 2017, Opportunity Village ARC exercised its option to purchase the solar panels at the end of five years for fair value. As a result, the remaining credit was forfeited in exchange for ownership of the solar panels, which had a fair market value of $910,402 on the date of the exchange.

6. DEFERRED COMPENSATION

Opportunity Village ARC has deferred compensation agreements with select employees of the organization. As of June 30, 2017, one employee had a deferred compensation agreement requiring $17,500 and two employees had deferred compensation agreements requiring $14,000 in employer contributions each fiscal year during the continuance of the employees' employment. The employees are fully vested in all funds placed in the deferred compensation account, including all investment income and losses. The fully vested amount, including the accumulated investment income or losses, will be distributed to the employees (or beneficiaries) at the employees' departure, disability, or death based on the payout structure of the contract. As of June 30, 2017 and 2016, the Board has designated $474,568 and $419,363, respectively, of unrestricted cash and investments to pay the deferred compensation liability when it comes due.

7. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	As of June 30, 2017	As of June 30, 2016
Land lease (1)	$ 6,439,201	$ 6,514,367
Receivable in less than one year	$ 75,166	$ 75,166
Receivable in one to five years	375,829	375,829
Receivable in more than five years	5,988,206	6,063,372
Total unconditional promises to give	$ 6,439,201	$ 6,514,367
Less: unamortized discount (2)	4,333,662	4,404,697
Net unconditional promises to give	2,105,539	2,109,670
Less: current portion	75,166	75,166
Net long-term unconditional promises to give	$ 2,030,373	$ 2,034,504

(1) This land lease, with a term of 89 years, is intended to be used for a future residential housing project. For further details, see lease description in Note 9.

(2) Unconditional promises to give are recorded at the present value of the estimated fair value of the land parcels using a discount rate of 4.0%. Amounts are recorded as temporarily restricted net assets until released from restriction.

8. NATURE AND AMOUNT OF NET ASSETS

Temporarily restricted net assets represent contributions and other inflows of assets where use is limited by donor-imposed stipulations. These stipulations either expire by the passage of time or are fulfilled and removed by actions of Opportunity Village ARC.

Temporarily restricted net assets are available for the following purposes:

	As of June 30, 2017	As of June 30, 2016
Job Discovery program	$ 28,947	$ -
Very Important Arts program	189,934	-
Residential land lease	2,105,539	2,109,670
	$ 2,324,420	$ 2,109,670

Temporarily restricted net assets are held as the following:

	As of June 30, 2017	As of June 30, 2016
Cash	$ 218,881	$ -
Unconditional promises to give	2,105,539	2,109,670
	$ 2,324,420	$ 2,109,670

9. LEASES

Capital Leases: Opportunity Village ARC leases assets under long-term agreements that are classified as capital leases. Amortization related to these assets is included in depreciation expense. Assets under capital lease obligations included in property and equipment are as follows:

	As of June 30, 2017	As of June 30, 2016
Office equipment	$ 159,940	$ 159,940
Vehicles	268,173	268,173
	428,113	428,113
Less: accumulated depreciation	(264,508)	(193,105)
Total assets under capital lease obligations	$ 163,605	$ 235,008

Future minimum lease payments under these capital lease obligations are:

Fiscal year ending June 30,	
2018	$ 75,466
2019	57,186
2020	47,475
2021	1,110
	181,237
Less: amount representing interest	(12,511)
Less: current portion	(68,317)
Long-term capital lease obligations	$ 100,409

Operating Leases: Opportunity Village ARC leases assets and equipment under long-term agreements that are classified as operating leases. The expense incurred under these leases for the years ended June 30, 2017 and 2016 was $559,949 and $552,977, respectively.

Future minimum payments under these operating leases are:

Fiscal year ending June 30,	
2018	$ 378,343
2019	232,546
2020	223,473
2021	193,237
2022	157,503
	$ 1,185,102

9. LEASES (CONTINUED)

Land Leases: In March 2014, Opportunity Village ARC entered into an agreement with Clark County to lease two parcels of land to be used for the construction, operation, and maintenance of Betty's Village, a residential housing program. The term of the land lease is for 89 years with annual rental payments of $1,200 and will expire on February 28, 2103. The fair value of donated rent to be received under this lease has been estimated at $75,166 per year and has been recorded as an unconditional promise to give, net of present value discount on the books of Opportunity Village ARC.

In July 2010, Opportunity Village ARC entered into an agreement to lease land adjacent to the Walters Family Campus, located in Henderson, Nevada. The term of the land lease is for an indefinite amount of time with a base rent of $1 per month. The fair value of donated rent to be received under this lease has been estimated at $68,137 per year, which is recorded as an in-kind operating expense as the lease does not have a maturity date.

In November 1990, the Foundation entered into an agreement with the State of Nevada to lease land, upon which the Foundation constructed a campus to serve people with disabilities, known as the "Oakey Campus", which building was donated to Opportunity Village ARC. The term of the land lease was amended in July 2009 for forty-nine (49) years with no rental payments and will expire on June 30, 2058. The fair value of donated rent to be received under this lease has been estimated at $20,112 per year and is recorded as an unconditional promise to give, net of present value discount on the books of the Foundation. The related expenses are recorded as grants to Opportunity Village ARC. As the Foundation is the lessee under this agreement, the land is not recorded by Opportunity Village ARC, however the Oakey Campus is constructed on this land, and the buildings associated with the Oakey Campus are recorded as assets of Opportunity Village ARC.

In May 2004, the Foundation entered into an agreement with Clark County to lease land, upon which the Foundation constructed a campus to serve people with disabilities, known as the "Engelstad Campus", which was completed and donated to Opportunity Village ARC in October 2009. The term of the land lease was amended in September 2006 for ninety-nine (99) years with annual rental payments of $1,200 and will expire on April 30, 2103. The fair value of donated rent to be received under this lease has been estimated at $63,552 per year and has been recorded as an unconditional promise to give, net of present value discount, on the books of the Foundation. The related expenses are recorded as grants to Opportunity Village ARC. As the Foundation is the lessee under this agreement, the land is not recorded by Opportunity Village ARC, however the Engelstad Campus is constructed on this land, and the buildings associated with the Engelstad Campus are recorded as assets of Opportunity Village ARC.

10. RETIREMENT PLAN

Opportunity Village ARC has a 403(b) plan that covers all employees meeting certain eligibility requirements into which employees may make contributions on a pre-tax basis. The annual matching contribution is discretionary as determined by the Board of Directors. During the years ended June 30, 2017 and 2016, Opportunity Village ARC matched 50% of employees' contributions to the plan, up to $2,000 per year. Employer matched contributions to the retirement plan for the years ended June 30, 2017 and 2016 were $85,963 and $68,174, respectively.

Opportunity Village ARC provides services under several AbilityOne federal contracts, which are subject to the McNamara-O'Hara Service Contract Act of 1965 (the "Service Contract Act"), as amended. The Service Contract Act requires that a contractor pay no less than applicable direct labor wages and provide certain fringe benefits in accordance with geographically specific Wage Determinations issued on no less than an annual basis by the Department of Labor. One of the Service Contract Act's fringe benefits is the provision of Health and Welfare funds. The Health and Welfare rate is paid per hour up to 40 hours in a week or 2,080 hours in a year. To comply with the fringe benefit requirement for Health and Welfare, an employer must calculate and track the Health and Welfare benefit due to each employee subject to the Act and discharge the obligation in one of two ways: 1) apply the funds to a bona fide benefits program for the employee or 2) pay the benefit in cash to the employee on their regular pay day. Health and Welfare funds paid to an employee in cash must be tracked and recorded separate from wages. Opportunity Village ARC has elected to offer employees subject to the Service Contract Act the opportunity to participate in the bona fide health insurance benefit. Health and Welfare funds are applied to the employee's premium for participation in the health plan. In the event that the Health and Welfare funds exceed the premium due, the remainder is applied to a retirement account for the employee, also a bona fide benefit. In the event of a shortfall in the Health and Welfare funds and the premium due, the remainder is then requested from the employee. Employees may elect to waive the health insurance benefit. Should an employee waive health insurance benefits, 100% of the Health and Welfare funds due are applied to their retirement account. Employer contributions to the retirement plan in addition to the matched contributions stated above for the years ended June 30, 2017 and 2016 were $378,629 and $396,523, respectively.

11. COMMITMENTS AND CONTINGENCIES

Revenue Bonds: In January 2007, Opportunity Village ARC and the Foundation entered into an agreement to borrow funds from the proceeds of the sale of bonds issued by Clark County, Nevada. The Variable Rate Demand Economic Development Revenue Bonds (Opportunity Village ARC Foundation Project) Series 2007 were issued in the amount of $24,275,000. The balance of outstanding debt was $14,636,606 and $16,400,000 as of June 30, 2017 and 2016, respectively. The debt is recorded on the books of the Foundation as the Foundation has the obligation for repayment. The funds were restricted to various construction projects, and were used to finance the costs of construction of the Engelstad Campus and the renovation and improvement of the administrative facilities located at the Oakey Campus.

Attached to the bond is a mandatory letter of credit with a separate bank, which is the only collateral for the bonds. The letter of credit is in the amount of $15,091,047, which consists of $14,900,000 principal plus $191,047, which represents 39 days of accrued interest at the maximum rate of 12% per annum. The letter of credit expires in February 2018. As part of the agreement under the letter of credit, the Foundation, combined with Opportunity Village ARC, must maintain a ratio of unrestricted cash and investments to debt of at least 1.25 to 1.00 at June 30 of each year. As of June

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

30, 2017, Opportunity Village ARC was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2017.

Opportunity Village ARC may become involved in legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Opportunity Village ARC's financial position, results of operations, or liquidity.

12. RELATED PARTIES

Opportunity Village ARC has historically relied on the Foundation to provide grants and cash to cover operational shortfalls. However, Opportunity Village ARC is independent for financial reporting purposes as the entities are not under common control. The Foundation transferred cash balances totaling $2,800,000 and $5,300,000 for the years ended June 30, 2017 and 2016, respectively, to Opportunity Village ARC to cover operating shortfalls and construction costs related to a park.

Opportunity Village ARC recognized grant income from the Foundation totaling $5,680,231 and $2,298,210 for the years ended June 30, 2017 and 2016, respectively. These amounts were charged to the related party debt due to the Foundation. Included are the following items.

	For the year ended June 30,	
	2017	2016
Scholarships	$ 322,085	$ 1,141,921
Donations and interest income related to programs	429,015	446,672
In-kind rent (1)	85,174	83,664
Noncash grants from the Foundation (2)	4,235,270	-
Capacity building	608,687	625,953
Total grant income from the Foundation	$ 5,680,231	$ 2,298,210

(1) The Foundation has been granted by Clark County the right to use the land on which the Oakey Campus and Engelstad Campus were constructed. The land leases are recorded as Unconditional Promises to give by the Foundation. For additional information, see Note 9. As the assets and buildings of the Oakey Campus and Engelstad Campus are owned by Opportunity Village ARC, Opportunity Village ARC recognized $85,174 and $83,664 in in-kind rent expense for the years ended June 30, 2017 and 2016, respectively.

(2) Opportunity Village ARC had an amount due to the Foundation of $0 and $2,909,306 as of June 30, 2017 and 2016, respectively. Opportunity Village ARC had an amount due from the Foundation of $155,199 and $0 as of June 30, 2017 and 2016, respectively. Related party receivables and payables are the result of cash payments by the Foundation to Opportunity Village ARC for management services as described in Note 1, transfers of cash to cover operational shortfalls and construction costs and transfers of property and equipment. These balances are monitored by the Boards of each respective organization and may be forgiven by each organization as necessary. During the year ended June 30, 2017, the Foundation provided $4,235,270 in noncash grants. No noncash grants were given for the year ended June 30, 2016.

Opportunity Village ARC utilizes Morrissey Insurance as a broker for employee health and life insurance, where a Foundation board member is the owner. Commissions paid to Morrissey Insurance totaled $75,259 and $67,065 for the years ended June 30, 2017 and 2016, respectively.