170 N. Stephanie • Suite 110 • Henderson, NV 89074
702.269.9992 phone • 702.269.9993 fax
www.hrcpc.com

OPPORTUNITY VILLAGE

ASSOCIATION FOR RETARDED CITIZENS

FINANCIAL STATEMENTS

JUNE 30, 2008

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

TABLE OF CONTENTS

HOULDSWORTH
RUSSO & CO., P.C.
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village Association for Retarded Citizens
Las Vegas, Nevada

We have audited the accompanying statement of financial position of Opportunity Village Association for Retarded Citizens ("Opportunity Village") as of June 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Opportunity Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Village as of June 30, 2008 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.

Houldsworth, Russo + Company

Henderson, Nevada
October 23, 2008

170 N. Stephanie • Suite 110 • Henderson, NV 89074
702.269.9992 phone • 702.269.9993 fax
www.hrcpc.com

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

Current assets:	
Cash	$ 65,410
Accounts receivable, net of allowance	1,648,096
Government support receivable	490,400
Employee receivable, current	11,514
Inventory	119,870
Due from Opportunity Village Foundation, Inc.	34,396
Prepaid expenses and other	290,419
	2,660,105
Property and equipment:	
Land	450,000
Buildings and improvements	11,001,132
Machinery and equipment	2,279,431
Automobiles and trucks	524,237
Work in process	141,317
Accumulated depreciation	(6,053,916)
	8,342,201
Other noncurrent assets:	
Deposits	16,037
Employee receivable, long-term	15,514
Deferred compensation	179,297
Down payment assistance receivable	236,155
Other assets	6,948
	453,951
	$ 11,456,257

LIABILITIES AND NET ASSETS

Current liabilities:	
Overdraft payable	$ 81,051
Accounts payable	322,904
Accrued expenses	646,560
Deferred compensation	182,656
Current portion of long-term debt	2,641
	1,235,812
Net assets:	
Unrestricted	10,220,445
	$ 11,456,257

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Changes in unrestricted net assets		
Revenues, gains, and support:		
Government support	$	5,532,287
Other revenues:		
Service contracts		7,221,111
Thrift store sales, net		877,852
General contract sales		3,278,042
Vehicle sales, net		197,572
Other		15,839
Grants from the Foundation		1,608,430
		13,198,846
		18,731,133
Expenses:		
Program services:		
Service contracts		6,347,800
Thrift store		944,931
Work-training and adult development		8,612,110
Support services:		
Management and general		2,331,642
Loss on disposal of assets		5,791
		18,242,274
Increase in net assets		488,859
Net assets, beginning of year		9,731,586
Net assets, end of year	$	10,220,445

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	Program Services				Support Services	Total
	Service	Thrift Store	Work-training	Total Program	Management	2008
Staff salaries	$ 2,244,011	$ 340,878	$ 3,890,194	$ 6,475,083	$ 1,198,198	$ 7,673,281
Client salaries	1,682,943	162,601	667,829	2,513,373	58,823	2,572,196
Payroll taxes	488,617	51,277	427,271	967,165	114,303	1,081,468
Employee benefits	813,545	39,049	411,673	1,264,267	177,767	1,442,034
Staff training and development	8,049	-	7,410	15,459	18,859	34,318
Utilities	14,570	89,445	314,244	418,259	14,572	432,831
Rent	114,062	-	190,442	304,504	116,817	421,321
Depreciation and amortization	86,958	54,518	576,208	717,684	190,493	908,177
Cost of sales	-	-	919,686	919,686	-	919,686
Supplies	232,748	20,134	231,502	484,384	30,318	514,702
Insurance and taxes	26,465	27,213	72,468	126,146	9,284	135,430
Transportation expenses	90,438	83,760	277,893	452,091	48,292	500,383
Interest	-	-	-	-	2,028	2,028
Commissions and bank fees	180,070	8,635	11,357	200,062	6,037	206,099
Advertising and publications	490	8,780	56,380	65,650	230	65,880
Provision for bad debts	18	40	2,514	2,572	1,986	4,558
Customer relations	633	974	15,812	17,419	3,834	21,253
Telephone	40,146	12,862	56,976	109,984	69,278	179,262
Conferences	16,949	20	10,226	27,195	14,634	41,829
Repairs and maintenance	33,520	24,460	268,717	326,697	18,424	345,121
Recruitment	25,226	1,885	45,529	72,640	14,594	87,234
Professional fees	230,281	14,339	95,147	339,767	195,165	534,932
Freight	-	167	34,653	34,820	-	34,820
Postage	252	1,244	5,952	7,448	6,169	13,617
Dues	3,148	50	7,369	10,567	15,073	25,640
Uniforms	14,661	2,600	14,658	31,919	6,464	38,383
Total expenses	$ 6,347,800	$ 944,931	$ 8,612,110	$ 15,904,841	$ 2,331,642	$ 18,236,483

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:	
Increase in net assets	$ 488,859
Adjustments to reconcile increase (decrease) in net assets to net cash:	
Loss on disposal of assets	5,791
Depreciation and amortization expense	908,177
Provision for bad debt	4,558
Donated assets	(16,710)
Foundation payable forgiven	(1,178,074)
(Increase) decrease in:	
Accounts receivable	(116,799)
Government support receivable	(19,844)
Employee receivable	11,514
Down payment assistance receivable	25,000
Inventory	29,249
Due from Foundation	(34,396)
Prepaid expenses and other	(108,572)
Deposits	18,282
Deferred compensation	(16,098)
Increase (decrease) in:	
Bank overdraft	(71,695)
Accounts payable	(95,734)
Accrued expenses	66,184
Deferred compensation	16,098
Due to Foundation	450,000
Net cash provided by operating activities	365,790
Cash flows from investing activities:	
Purchase of property and equipment	(374,858)
Net cash used in investing activities	(374,858)
Cash flows from financing activities:	
Payments on long-term debt	(35,214)
Net cash used in financing activities	(35,214)
Net decrease in cash	(44,282)
Cash, beginning of year	109,692
Cash, end of year	$ 65,410

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Valley Associates, a for-profit corporation, a subsidiary of Opportunity Village, will pursue business activities unrelated to benefiting the mentally disabled. Although the business enterprises of Valley Associates may employ disabled workers, its primary emphasis is to generate revenues to fund programs to benefit the mentally disabled. This entity had no activity during the year ended June 30, 2008. Subsequent to year end, Opportunity Village intends to close this corporation and initiated the appropriate plans to do so.

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 presents its financial statements in accordance with 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 changes in financial position activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Accounts and Government Receivable, Net

Accounts receivable result from contracts for the services of Opportunity Village clients, including contracts with the government, and are shown net of allowance. Management reviews accounts receivable balances and performs credit evaluations of its customers in order to determine whether or not a provision for potential credit losses is necessary. At June 30, 2008, the allowance for doubtful accounts was $85,091. All amounts recorded are expected to be received within one year.

Inventory

Inventory consists of items used in the Employment Training Center and materials used in work performed on various service contracts, and is stated at the lower of cost (determined by the first-in, first-out method) or market.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Opportunity Village capitalizes all expenditures for property and equipment in excess of $1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of five years for automobiles, 3 to 10 years for furniture and equipment, 5 to 30 years for buildings and improvements, and 47 years for site improvements at the new facilities.

Income Tax Status

Opportunity Village is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Opportunity Village qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Revenue Recognition

Opportunity Village accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made.* As such, contributions are recognized as revenue when they are received or unconditionally pledged.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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.

Opportunity Village receives a substantial amount of donated clothing and furniture that is held for sale through its thrift store outlet. The donated materials are not recorded as revenue until sold. All other assets unconditionally donated and retained by Opportunity Village are recorded at fair market value on the date of donation. Thrift store sales are shown net of markdowns. Markdowns for the year ended June 30, 2008 were $203,010.

Opportunity Village also receives vehicle donations. Vehicle sales are processed by an outside company that charges a fee. Opportunity Village receives the proceeds of these sales net of related fees. Related fees for the year ended June 30, 2008 were $86,948.

Government support is obtained from the State of Nevada to subsidize staffing and operating costs. Revenue is recorded and matched in the same period as the costs incurred. Government support receivable represents support pledged unconditionally by the State of Nevada. This support is expected to be collected within one year and has been reported at net realizable value.

Service contracts are obtained from various government agencies, including the National Industries for the Severely Handicapped ("NISH"), and other private agencies throughout the community. Revenue is recorded and matched in the same period as the costs are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Management and general expenses are shared and allocated between Opportunity Village and Opportunity Village Foundation ("Foundation"), a not-for-profit organization organized to raise, invest, and distribute funds to promote the interests of persons with severe intellectual disabilities and to promote capital campaign drives. The allocation of such expenses to the Foundation is based on a salary allocation. For the year ended June 30, 2008, management and general expenses of $253,567 were allocated from Opportunity Village to the Foundation.

Donated Services

The estimated fair value of unrecorded donated services, which principally consist of non-professional volunteers, was approximately $87,346 of the year ended June 30, 2008. As required by SFAS 116, *Accounting for Contributions Received and Contributions Made,* these amounts are not included in the revenues listed in the statements of activities and changes in net assets.

During the year ended June 30, 2008, Opportunity Village received $13,875 in donated services for accounting and fingerprinting services for the Oventures program of Opportunity Village.

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 could differ from those estimates. Significant estimates include accounts receivable allowance and the estimated useful lives for fixed assets.

Impairment of Long-Lived Assets

Opportunity Village follows the provisions of SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of.* SFAS No. 121 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.

Management of Opportunity Village believes that no adjustment for impairment is necessary at June 30, 2008.

Shipping and Handling

Shipping and handling costs are expensed as incurred. Total shipping and handling costs for the year ended June 30, 2008 were $34,820 and are allocated among program services expenses on the statement of functional expenses.

2. ADVERTISING

Opportunity Village expensed all of its advertising costs as they were incurred. Advertising costs totaled $65,880 during the year ended June 30, 2008.

3. DEFERRED COMPENSATION AGREEMENT

Opportunity Village entered into agreements with various employees, which were amended during the year ended June 30, 2006. Opportunity Village agreed to establish a deferred compensation account and annually credit two equal installments of $7,000 for each employee under the agreements on the last day of August and February during the continuance of the employees' employment. The employees are fully vested on 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 employee or beneficiary at the employees' departure, disability or death. The total amount contributed by Opportunity Village under these agreements for the year ended June 30, 2008 was $28,000.

4. ASSISTED HOUSING PROGRAM RECEIVABLE

Opportunity Village offers a down payment assistance loan program for eligible employees. Employees with one year of service and no disciplinary actions in the previous twelve months can receive a loan of up to $10,000 for down payment assistance for a personal and primary residence. For every year the employee continues their employment with Opportunity Village, the loan is forgiven at a rate of 20% a year. If employment is terminated or their personal residence is sold, the remaining loan is payable in monthly installments with a fixed 5% interest. At June 30, 2008, $15,514 was receivable from employees, of which $11,514 was expected to be forgiven within one year. For the year ended June 30, 2008, $11,514 was forgiven.

Opportunity Village received grant funding during the fiscal year ending June 30, 2002 to offer a down payment assistance loan program for clients to purchase a primary residence. Clients can 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. Additionally, the entire amount of the loan will be forgiven after 15 years. At June 30, 2008, the receivable balance outstanding under this program is $236,155.

5. LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2008:

Note payable, non-interest bearing, due $2,934 monthly, maturing in fiscal year 2009, secured by a license agreement for software and maintenance support. Imputed interest was insignificant.	$	2,641
Less current portion		2,641
Total long-term debt, less current portion	$	-

6. 403(B) RETIREMENT PLAN

Opportunity Village 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 year ended June 30, 2008, Opportunity Village matched 50% of an employee's contribution to the plan up to $2,000 per year. Employer contributions to the retirement plan for the year ended June 30, 2008 were $47,859.

6. 403(B) RETIREMENT PLAN (Continued)

Opportunity Village provides services under several AbilityOne federal contracts. All of these contracts are subject to the McNamara-O'Hara Service Contract Act of 1965, 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 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 has elected to offer employees subject to the Act the opportunity to participate in our 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 for the year ended June 30, 2008 were $664,765.

7. CONCENTRATIONS

Opportunity Village has concentrated its credit risk by maintaining deposits in financial institutions which at times may 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 has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

As of and for the year ended June 30, 2008, two customers made up 46% of total contract revenue, 39% of total revenue, and 52% of total accounts and government receivable.

8. LEASES

Opportunity Village's leasing arrangements consist primarily of the leasing of office equipment and rental space under operating leases with noncancelable terms that expire on various dates through 2011. The expense incurred under these leases for the year ended June 30, 2008 was $421,321. Future minimum payments under these operating leases as of June 30, 2008 are as follows:

Fiscal Year Ending June 30,		
2009	$	452,275
2010		291,692
2011		5,625
	$	749,592

9. RELATED PARTIES

Opportunity Village is financially dependent on the Foundation to provide funds to cover grants and cash to cover operational shortfalls. The Foundation was organized as a not-for-profit corporation for the purpose of organizing fundraising events and capital campaigns in order to promote the interest of individuals with intellectual disabilities. Opportunity Village recognized $1,609,430 in revenue for the year ended June 30, 2008. The Foundation grant revenue recognized consists of $240,085 in cash grants, $190,271 in in-kind services, and $1,178,074 in forgiven debt, of which $728,074 was presented at June 30, 2008. The Foundation had an amount due to Opportunity Village of $34,396 for the year ended June 30, 2008. The Foundation received a pledge in the current year for in-kind gasoline, in which Opportunity Village utilized $94,434. Additionally, the Foundation has been granted the right to use the land on which the Oakey campus was built and the Southwest campus is being constructed. As the campuses were constructed on these parcels of land, Opportunity Village recognized $95,837 in in-kind rent expense.

During the year ended June 30, 2008, the Foundation transferred assets with a fair market value of $16,710 to Opportunity Village. The Foundation's Board of Directors relinquished all interests in these fixed assets.

Opportunity Village will occasionally conduct business with its board members. The following transactions are at arms length and at market value.

Opportunity Village purchases its advertising from the Las Vegas Review-Journal where a board member is employed as Director of Advertising. Those purchases totaled $10,174 for the year ended June 30, 2008. The Las Vegas Review-Journal also donates a significant portion of advertising to Opportunity Village.

Opportunity Village purchased a number of its vehicles from Desert Automotive Group where a Foundation board member is employed as Vice-President of Marketing. Those purchases totaled $113 for the year ended June 30, 2008. Desert Automotive Group provides these vehicles at wholesale pricing and has spearheaded a major campaign to support our vehicle donation program.

Opportunity Village 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 $48,393 for the year ended June 30, 2008.

Opportunity Village utilizes R&R Partners for various advertising services where a Foundation board member is Executive Vice President. Fees paid to R&R Partners totaled $45,059 for the year ended June 30, 2008.

10. COMMITMENTS AND CONTINGENCIES

In January 2008, Opportunity Village 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 Foundation Project) Series 2007 were issued in the amount of $24,275,000. The funds will be used to finance the costs of construction of a building to be located on land leased from Clark County at the intersection of Buffalo and Patrick in Clark County, Nevada. The funds will also be used for the renovation and improvement of the Organizations' existing administrative facilities located in the City of Las Vegas, Nevada. Upon completion, the project will be used as administrative headquarters and as employment and training facilities to assist, train and employ intellectually handicapped adults.

The obligation of the loan repayment is with the Foundation and the related debt is recorded on the books of the Foundation. However, the loan agreement requires that substantially all of the unrestricted assets of Opportunity Village be pledged as collateral for the repayment of the obligation. The leasehold improvements

10. COMMITMENTS AND CONTINGENCIES (Continued)

at the intersection of Buffalo and Patrick in Clark County, Nevada is recorded on the Foundation's books until completion of the project, at which time the asset will be transferred as a grant from the Foundation to Opportunity Village and the Foundation's Board of Directors will relinquish all interests in these fixed assets.

On January 1, 2007, a standby letter of credit of approximately $25 million was issued to the Foundation under an agreement, expiring January 25, 2011, which is being maintained as security for performance and advances received on the Variable Rate Demand Economic Development Revenue Bonds (Opportunity Village Foundation Project) Series 2007 that were issued in the amount of $24,275,000 and as security for debt service payments under industrial revenue bond loan agreements. The agreement provides a maximum commitment for a letter of credit of $24,586,253 and is collateralized by deeds of trust to the leasehold improvements at the intersection of Buffalo and Patrick in Clark County, Nevada as recorded on the books of the Foundation and on the thrift store property recorded on the books of Opportunity Village.

On January 28, 2008, Opportunity Village and Opportunity Village Foundation entered in to a line of credit that they share and for which they are both liable. The line of credit was secured for $1,250,000 with an interest rate of prime plus one half percent (prime rate at June 30, 2008 was 5%). The line of credit matures on January 5, 2009. Opportunity Village is required to maintain tangible net worth not to exceed total liabilities. The line of credit is collateralized by all inventory, accounts receivable, and equipment. At June 30, 2008, there is no outstanding balance.

Opportunity Village 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's financial position, results of operations, or liquidity.

11. PRIOR PERIOD ADJUSTMENT

Unrestricted net assets at the beginning of 2008 have been adjusted to include the Home Choice Program funds that were included in permanently restricted net assets in error in the prior year. The correction has no effect on the results of the current year's activities.