OPPORTUNITY VILLAGE ARC

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Certified Public Accountants

HOULDSWORTH, RUSSO & COMPANY
8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | www.trustHRC.com

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 ("Opportunity Village ARC"), which comprise the statement of financial position as of June 30, 2015, 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, 2015 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it was derived.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
September 28, 2015

OPPORTUNITY VILLAGE ARC

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 789,385	$ 729,784
Investments	397,526	1,495,140
Accounts receivable, net of allowance	2,505,621	2,556,887
Employee receivable, current	8,136	3,620
Unconditional promises to give, current	75,166	75,166
Inventory	220,922	220,742
Prepaid expenses and other	1,252,286	1,513,996
	5,249,042	6,595,335
Property and equipment:		
Land	350,000	450,000
Buildings and improvements	35,441,401	34,919,503
Furniture, fixtures and equipment	8,375,123	8,279,440
Vehicles	1,350,308	1,346,500
Work in process	351,328	-
Accumulated depreciation	(18,723,596)	(16,330,662)
	27,144,564	28,664,781
Other noncurrent assets:		
Deposits	27,155	27,155
Employee receivable, long-term	26,680	8,861
Unconditional promises to give, net	2,038,499	2,042,361
Down payment assistance receivable	254,351	254,351
	2,346,685	2,332,728
	$ 34,740,291	$ 37,592,844

OPPORTUNITY VILLAGE ARC

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2015 AND 2014

	2015	2014
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 587,498	$ 521,609
Accrued expenses	1,315,121	1,243,904
Due to Opportunity Village Foundation	452,205	2,549,819
Deferred revenue	53,379	-
Current portion of capital lease obligations	67,768	73,165
	2,475,971	4,388,497
Long-term liabilities:		
Deferred compensation	421,276	356,648
Capital lease obligations	224,327	294,451
	645,603	651,099
	3,121,574	5,039,596
Net assets:		
Unrestricted	29,505,052	30,435,721
Temporarily restricted	2,113,665	2,117,527
	31,618,717	32,553,248
	$ 34,740,291	$ 37,592,844

OPPORTUNITY VILLAGE ARC

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Changes in unrestricted net assets		
Revenues, gains and support:		
Government support for services	$ 10,124,258	$ 9,564,972
Other revenues:		
Contributions	1,120,032	954,602
Federal grant revenue	153,414	-
Service contracts	7,455,519	7,692,596
Thrift store sales, net	1,019,399	1,076,305
General contract sales	4,821,731	4,221,115
Vehicle sales, net	35,875	44,923
Interest income	5,786	51,566
Realized and unrealized gain on investments	13,184	120,344
Other	88,199	2,781
Gain on disposal of assets	900,078	9,412
Grants from Opportunity Village Foundation	3,552,930	1,677,331
Release of restrictions	3,862	-
	19,170,009	15,850,975
	29,294,267	25,415,947
Expenses:		
Program services:		
Service contracts	7,373,409	7,171,597
Thrift store	1,245,419	1,158,926
Work-training and adult development	16,352,146	16,166,419
Support services:		
Management and general	5,253,962	3,461,546
	30,224,936	27,958,488
Decrease in unrestricted net assets	(930,669)	(2,542,541)
Changes in temporarily restricted net assets		
Time release of restrictions	(3,862)	-
Contributions	-	2,117,527
Increase (decrease) in temporarily restricted net assets	(3,862)	2,117,527
Decrease in net assets	(934,531)	(425,014)
Net assets, beginning of year	32,553,248	32,978,262
Net assets, end of year	$ 31,618,717	$ 32,553,248

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ARC

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Program Services						
	Service Contracts	Thrift Store	Work-training	Total Program Services	Management and General	Total 2015	Total 2014
Salaries, taxes and benefits	$ 3,799,189	$ 490,969	$ 8,329,417	$ 12,619,575	$ 3,394,994	$ 16,014,569	$ 14,681,853
Payments to clients	2,247,651	229,030	1,439,322	3,916,003	99,567	4,015,570	3,931,257
Depreciation and amortization	76,155	38,318	1,897,050	2,011,523	486,951	2,498,474	2,390,777
Subcontracts and consulting	354,504	15,079	1,101,886	1,471,469	200,007	1,671,476	1,303,337
Utilities and telephone	110,118	104,263	731,546	945,927	166,227	1,112,154	1,196,541
Supplies	294,717	24,937	578,420	898,074	27,181	925,255	1,019,949
Rent	848	176,090	412,531	589,469	84,530	673,999	598,156
Repairs and maintenance	29,200	20,498	474,837	524,535	77,338	601,873	558,221
Contract services and freight	-	23,422	546,876	570,298	-	570,298	559,498
Transportation expenses	75,454	74,620	337,626	487,700	43,218	530,918	587,471
Professional fees	-	-	175	175	430,134	430,309	129,211
Bank fees and interest	188,628	13,538	70,751	272,917	8,926	281,843	273,910
Insurance	84,168	13,444	104,911	202,523	34,749	237,272	214,715
Advertising	29,478	13,164	83,834	126,476	4,650	131,126	66,514
Recruitment	21,015	3,290	63,073	87,378	30,059	117,437	108,941
Staff training and development	16,784	2,249	45,987	65,020	18,916	83,936	64,955
Bad debt expense	16,393	-	57,473	73,866	7,892	81,758	53,612
Conferences, travel and meals	282	231	4,874	5,387	68,090	73,477	53,486
Dues and subscriptions	6,854	274	9,507	16,635	47,346	63,981	45,338
Uniforms	20,085	1,227	15,521	36,833	5,432	42,265	53,402
Customer relations	1,383	751	25,076	27,210	9,065	36,275	49,678
Postage	503	25	21,453	21,981	8,690	30,671	17,666
Total expenses	$ 7,373,409	$ 1,245,419	$ 16,352,146	$ 24,970,974	$ 5,253,962	$ 30,224,936	$ 27,958,488

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ARC

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

		2015		2014
Cash flows from operating activities:				
Decrease in net assets	$	(934,531)	$	(425,014)
Adjustments to reconcile decrease in net assets to net cash:				
Depreciation and amortization expense		2,498,474		2,390,777
(Gain) loss on disposal of assets		(900,078)		(9,412)
Forgiveness of amount due to Opportunity Village Foundation		(1,300,000)		-
Donated assets		(10,602)		(1,159,464)
Donated expenses		75,165		-
Bad debt expense		81,758		53,612
Unrealized gain on investment		(13,184)		(184,871)
Change in present value discount		(71,304)		4,547,172
Other		(4,406)		-
Changes in operating assets and liabilities:				
Accounts receivable		(30,493)		(493,891)
Unconditional promise to give		-		(6,664,699)
Employee receivable		(13,896)		3,620
Prepaid expenses and other		261,530		220,458
Accounts payable		65,889		24,669
Accrued expenses and other		124,599		(121,086)
Due to Opportunity Village Foundation		(165,033)		2,475,220
Net cash provided by (used in) operating activities		(336,112)		657,091
Cash flows from investing activities:				
Purchase of securities		-		(1,652,078)
Proceeds from the sale of securities		-		1,661,052
Proceeds from sale of property and equipment		1,008,827		-
Purchase of property and equipment		(537,593)		(456,579)
Net cash provided by (used) in investing activities		471,234		(447,605)

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ARC

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from financing activities:		
Payments on capital lease obligations	(75,521)	(89,330)
Net cash used in financing activities	(75,521)	(89,330)
Net increase in cash	59,601	120,156
Cash, beginning of year	729,784	609,628
Cash, end of year	$ 789,385	$ 729,784
Supplemental disclosures:		
Assets acquired through capital lease obligations	$ -	$ 122,561
Imputed interest on capital lease obligations	$ 16,507	$ 15,293

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") Codification. Under the FASB Codification, 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 for 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.

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, 2015 and 2014, the allowance for doubtful accounts was $112,066 and $261,175, respectively. All amounts recorded are expected to be received within one year. As of and for the year ended June 30, 2015, one customer made up 30% of accounts receivable and 39% of contract revenue.

Inventory

Inventory consists of items used in the Employment Training Center, materials used in work performed on various service contracts 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 fist-in, first-out method.

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 Codification, 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, 2015 and 2014.

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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Opportunity Village ARC accounts for contributions in accordance with the FASB Codification. 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.

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. Management and general expenses are shared and allocated between Opportunity Village ARC and 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. Opportunity Village ARC provides management services to the Foundation under an annual agreement. The Foundation pays a fee based on salary allocations and estimated costs to provide facilities maintenance and custodial services to the Foundation. For the years ended June 30, 2015 and 2014, management and general expenses of $709,489 and $471,132, respectively were allocated from Opportunity Village ARC to the Foundation.

Advertising

Opportunity Village ARC expensed all of its advertising costs as they were incurred. Advertising costs totaled $131,126 and $66,514 during the years ended June 30, 2015 and 2014, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services are recognized as contributions in accordance with the FASB Codification, 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 Codification. Accordingly, such information should be read in conjunction with Opportunity Village ARC's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Additionally, certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

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 September 28, 2015, which is the date the financial statements were available to be issued.

2. INVESTMENTS

Investments consist of the following:

	As of June 30,	
	2015	2014
Mutual funds	$ 387,061	$ 1,450,909
Equity securities	10,465	44,231
Total investments	$ 397,526	$ 1,495,140

2. INVESTMENTS (CONTINUED)

During the year ended June 30, 2015, investments totaling $1,171,392 were transferred to the Opportunity Village Foundation (the "Foundation") in repayment of intercompany debt balances.

Investment holdings at June 30, 2015 and 2014 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, 2015 and 2014 were valued using Level 1 inputs.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	As of June 30,	
	2015	2014
Land lease (1)	$ 6,589,533	$ 6,664,699
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	6,138,538	6,213,704
Total unconditional promises to give	$ 6,589,533	$ 6,664,699
Less: unamortized discount (2)	4,475,868	4,547,172
Net unconditional promises to give	2,113,665	2,117,527
Less: current portion	75,166	75,166
Net long-term unconditional promises to give	$ 2,038,499	$ 2,042,361

(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 7.

(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 3.37%. Amounts are recorded as temporarily restricted net assets until released from restriction.

4. 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 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, 2015 and 2014, the receivable balance outstanding under this program was $254,351 and $254,351, respectively.

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 owns the solar panel assets, and Opportunity Village ARC has 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. This credit is accounted for as a prepaid asset, and as of June 30, 2015 and 2014, the balance of this prepaid asset was $1,118,643 and $1,214,203, respectively.

Opportunity Village ARC has the option to purchase the solar panels at the end of five years for fair value. If Opportunity Village ARC opts to purchase the solar energy panels, or if Opportunity Village ARC terminates the agreement before the end of the 20-year term, the remaining credit will be forfeited.

6. DEFERRED COMPENSATION

Opportunity Village ARC has deferred compensation agreements with select employees of the organization. As of June 30, 2015, one employee had a deferred compensation agreement requiring $17,500 and three employees had deferred compensation agreements requiring $14,000 in employer contributions each fiscal year during the continuance of the employee's 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 beneficiary at the employee's departure, disability or death based on the payout structure of the contract. As of June 30, 2015 and 2014, the Board has designated $421,276 and $356,648, respectively, of unrestricted cash and investments to pay the deferred compensation liability when it comes due.

7. 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,	
	2015	2014
Office equipment	$ 156,796	$ 78,708
Vehicles	268,173	370,768
	424,969	449,476
Less: accumulated depreciation	(74,756)	(63,704)
Total assets under capital lease obligations	$ 350,213	$ 385,772

7. LEASES (CONTINUED)

Future minimum payments under these capital lease obligations are:

Fiscal year ending June 30,

2016	$	81,226
2017		79,824
2018		71,236
2019		52,591
2020		43,011
		327,888
Less: amount representing interest		(35,793)
Less: current portion		(67,768)
Long-term capital lease obligations	$	224,327

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, 2015 and 2014 was $563,717 and $549,301, respectively. Future minimum lease payments under these operating leases are:

Fiscal year ending June 30,

2016	$	380,939
2017		391,902
2018		352,944
2019		207,147
2020		198,073
Thereafter		338,625
	$	1,869,630

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 The Village Residences, 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, NV. 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

7. LEASES (CONTINUED)

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.

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 of $2,113,665 and $2,117,527 as of June 30, 2015 and 2014, respectively are available for the residential land lease, discussed in Note 3, and are held solely in unconditional promises to give.

9. 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, 2015 and 2014, 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, 2015 and 2014 were $74,145 and $67,900, respectively.

Opportunity Village ARC provides services under several AbilityOne federal contracts. All of these contracts 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

9. RETIREMENT PLAN (CONTINUED)

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 under the Service Contract Act for the years ended June 30, 2015 and 2014 were $380,368 and $393,480, respectively.

10. 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 Foundation Project) Series 2007 were issued in the amount of $24,275,000. The balance of outstanding debt was $16,400,000 and $17,000,000 as of June 30, 2015 and 2014, 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 the bond proceeds plus 39 days accrued interest. The original letter of credit was replaced with a subsequent letter of credit effective February 10, 2011. The subsequent letter of credit of $17,217,973 consists of $17,000,000 principal plus $217,973, which represents 39 days of accrued interest at the maximum rate of 12% per annum. 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 30, 2015, Opportunity Village ARC was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2015.

Line of Credit: The Foundation and Opportunity Village ARC collectively secure a $3,000,000 revolving line of credit. Advances on the credit line are payable on demand and carry an interest rate equal to the prime rate plus 3%. The credit line is unsecured and expires on June 2, 2016. No amount was drawn on this credit line as of June 30, 2015

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.

11. 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 $3,200,000 and $4,600,000 for the years ended June 30, 2015 and 2014, respectively, to Opportunity Village ARC to cover operating shortfalls.

Opportunity Village ARC recognized grant income from the Foundation totaling $3,552,930 and $1,677,331 for the years ended June 30, 2015 and 2014, respectively. These amounts were charged to the intercompany balance due to the Foundation. Included are the following items.

	For the year ended June 30,	
	2015	2014
Scholarships	$ 966,845	$ 434,203
Donations and interest income related to programs	1,202,421	-
In-kind rent (1)	83,664	83,664
Forgiveness of intercompany debt (2)	1,300,000	-
Grant of in-kind assets	-	1,159,464
Total grant income	$ 3,552,930	$ 1,677,331

(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 7. As the assets and buildings of the Oakey Campus and Engelstad Campus are owned by Opportunity Village ARC, Opportunity Village ARC recognized $86,664 in in-kind rent expense for each of the years ended June 30, 2015 and 2014.

(2) Opportunity Village ARC had an amount due to the Foundation $452,205 and $2,549,819 as of June 30, 2015 and 2014, respectively. Intercompany receivables and payables are the result of cash payments by the Foundation to Opportunity Village ARC for operating needs, transfers of property and equipment, and expenses paid by one organization on behalf of the other. These balances are monitored by the Boards of each respective organization and may be forgiven by each organization as necessary. For the year ended June 30, 2015, the Foundation forgave $1,300,000 of receivables due from Opportunity Village ARC. No amounts were forgiven for the year ended June 30, 2014.

During the year ended June 30, 2015, the Foundation transferred assets with a fair value of $538,811 to Opportunity Village ARC. No asset transfers occurred in the year ended June 30, 2014. The asset transfer was used to reduce a portion of the intercompany balance owed to Opportunity Village ARC and was not considered a grant to Opportunity Village ARC. The Foundations' Board of Directors relinquished all interests in these fixed assets.

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 $56,193 and $49,717 for the years ended June 30, 2015 and 2014, respectively.