

**OPPORTUNITY VILLAGE
ASSOCIATION FOR RETARDED
CITIZENS, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

**OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
JUNE 30, 2007 AND 2006**

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STEWART
ARCHIBALD
& BARNEY, LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village Association for Retarded Citizens, Inc.

We have audited the accompanying statements of financial position of Opportunity Village Association for Retarded Citizens, Inc. ("Opportunity Village") as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2007. 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 audits.

We conducted our audits 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 audits provide 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Opportunity Village is financially dependent on Opportunity Village Foundation, Inc. for its fundraising activities.

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October 31, 2007

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OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

ASSETS	2007	2006
Current assets:		
Cash - unrestricted	\$ 70,847	\$ 2,261
Cash - restricted for Home Choice Program	38,845	-
Accounts receivable, net of allowance	1,286,626	1,071,211
Government support receivable	470,556	402,705
Inventory	149,119	166,143
Due from Opportunity Village Foundation, Inc.	-	29,022
Prepaid expenses and other	415,987	417,059
Total current assets	2,431,980	2,088,401
Property and equipment:		
Land	450,000	450,000
Buildings and improvements	10,929,711	10,478,614
Machinery and equipment	1,999,339	1,796,588
Automobiles and trucks	510,564	515,559
Work in process	114,935	114,277
Accumulated depreciation	(5,127,964)	(4,475,708)
Net property and equipment	8,876,585	8,879,330
Home Choice Program receivable - restricted	261,155	236,155
Other assets	258,324	183,863
	519,479	420,018
Total assets	\$ 11,828,044	\$ 11,387,749
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 430,848	\$ 385,250
Accrued payroll	746,935	575,319
Line of credit	-	1,128,516
Due Opportunity Village Foundation, Inc.	728,074	-
Overdraft payable	152,746	361,282
Current portion of long - term debt	35,214	35,214
Total current liabilities	2,093,817	2,485,581
Long-term debt, less current portion	2,641	38,001
Total liabilities	2,096,458	2,523,582
Net assets:		
Unrestricted	9,431,586	8,564,167
Permanently restricted	300,000	300,000
Total net assets	9,731,586	\$ 8,864,167
Total liabilities and net assets	\$ 11,828,044	\$ 11,387,749

The accompanying notes are an integral part of these financial statements.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Changes in unrestricted net assets:		
Revenues, gains, and support:		
Government support	\$ 5,030,518	\$ 4,353,687
Other revenues:		
Service contracts	6,719,920	6,445,318
Thrift store sales	903,687	1,032,818
General contract sales	2,798,068	2,853,263
Other	80,832	34,209
Total unrestricted revenues, gains, and support	15,533,025	14,719,295
Expenses:		
Program services:		
Service contracts	6,236,154	6,034,802
Thrift store	971,757	1,190,217
Work-training and adult development	7,178,083	7,389,130
Support services:		
Management and general	2,092,548	1,933,193
Total expenses	16,478,542	16,547,342
Decrease in unrestricted net assets before grants and extraordinary items	(945,517)	(1,828,047)
Grants from the Foundation	1,812,936	1,261,428
Increase (decrease) in unrestricted net assets	867,419	(566,619)
Increase (decrease) in net assets	867,419	(566,619)
Net assets, beginning of year	8,864,167	9,430,786
Net assets, end of year	\$ 9,731,586	\$ 8,864,167

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006

	Program Services			Total Program Services	Support Services		Totals	
	Service Contracts	Thrift Store	Work-training and Adult Development		Management and General	2007	2006	
Staff salaries	\$ 2,416,386	\$ 338,088	\$ 3,145,439	\$ 5,899,913	\$ 1,228,249	\$ 7,128,162	\$ 7,112,653	
Client salaries	1,497,349	187,337	708,461	2,393,147	6,411	2,399,558	2,001,245	
Payroll taxes	467,536	46,549	343,473	857,558	94,570	952,128	992,882	
Employee benefits	718,595	41,704	440,923	1,201,222	137,983	1,339,205	1,265,846	
Staff training and development	4,372	1,597	16,325	22,294	12,223	34,517	27,994	
Utilities	16,474	73,999	271,092	361,565	18,347	379,912	406,238	
Rent	23,340	-	31,469	54,809	102,200	157,009	100,938	
Depreciation on purchased assets	79,791	39,556	211,540	330,887	103,974	434,861	384,084	
Depreciation on donated assets	-	20,760	283,055	303,815	102,062	405,877	390,139	
Cost of sales	-	150	681,059	681,209	-	681,209	959,230	
Supplies	236,223	11,375	170,839	418,437	42,108	460,545	413,636	
Insurance and taxes	23,051	36,966	91,742	151,759	11,138	162,897	162,092	
Transportation expenses	108,185	86,010	234,218	428,413	19,202	447,615	393,947	
Interest	-	-	-	-	61,524	61,524	22,571	
Commissions and bank fees	194,698	6,665	4,970	206,333	17,184	223,517	238,182	
Advertising and publications	2,830	5,319	26,348	34,497	19,071	53,568	363,844	
Provision for bad debts	85,091	-	13,069	98,160	280	98,440	12,617	
Telephone	40,399	16,719	85,075	142,193	72,832	215,025	215,946	
Conferences	5,121	30	5,719	10,870	14,939	25,809	54,118	
Repairs and maintenance	13,283	6,363	90,896	110,542	6,657	117,199	153,220	
Professional fees	229,662	32,756	86,827	349,245	116,271	465,516	573,326	
Shipping and freight	171	461	35,417	36,049	9,950	45,999	38,929	
Overhead allocated to Foundation	-	-	-	-	(143,979)	(143,979)	(123,689)	
Other	73,597	19,353	200,127	293,077	39,352	332,429	387,354	
Total expenses	\$ 6,236,154	\$ 971,757	\$ 7,178,083	\$ 14,385,994	\$ 2,092,548	\$ 16,478,542	\$ 16,547,342	

(Memorandum Only)

The accompanying notes are an integral part of these financial statements.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ 867,419	\$ (566,619)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Loss on disposal of assets	46,135	22,792
Depreciation and amortization expense	840,737	774,223
Provision for bad debts	85,091	-
Donated items included in contributions and grants	(396,396)	(291,189)
(Increase) decrease in:		
Accounts receivable	(300,506)	(4,368)
Government support receivable	(67,851)	(39,980)
Inventory	17,024	3,370
Due from Foundation	29,022	(29,022)
Prepaid expenses and other	1,072	(136,672)
Other assets	(74,461)	37,575
Increase (decrease) in:		
Accounts payable	45,598	(20,720)
Accrued payroll and related expenses	(36,920)	(169,675)
Due to Foundation	728,074	-
Net cash provided by (used in) operating activities	1,784,038	(420,285)
Cash Flows From Investing Activities:		
Purchase of assets restricted for Home Choice Program	(88,845)	(24,723)
Sale of assets restricted for Home Choice Program	25,000	-
Proceeds from sale of property and equipment	12,427	27,140
Expenditures for acquisition of property and equipment	(500,158)	(673,322)
Net cash used in investing activities	(551,576)	(670,905)
Cash Flows From Financing Activities:		
Payments on long-term debt	(35,360)	(32,427)
Net proceeds (payments) on line of credit	(1,128,516)	1,121,853
Net cash provided by (used in) financing activities	(1,163,876)	1,089,426
Net increase (decrease) in cash	68,586	(1,764)
Cash, beginning of year	2,261	4,025
Cash, end of year	\$ 70,847	\$ 2,261
Supplemental information:		
Cash paid for interest	\$ <u>61,524</u>	\$ <u>22,571</u>
Debt issued for the purchase of property, plant and equipment	\$ <u>-</u>	\$ <u>105,641</u>

The accompanying notes are an integral part of these financial statements.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Opportunity Village Association for Retarded Citizens, Inc. ("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. 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 years ended June 30, 2007 and 2006.

The following is a summary of significant accounting policies:

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 Receivable, Net

Accounts receivable result from contracts for the services of Opportunity Village clients. 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, 2007 and 2006, the provisions were \$85,000 and \$0, respectively. 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.

Advertising

Opportunity Village expensed all of its advertising costs as they were incurred. Advertising expense for the years ended June 30, 2007 and 2006 were \$17,141 and \$339,459, respectively.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Land, buildings and equipment are recorded at cost or, in the case of contributions, at fair value on the date of the gift. It is Management's policy to capitalize expenditures for these items in excess of \$1,000. Depreciation is provided for on the straight-line method over 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. The facility located on Oakey Boulevard was constructed on land owned by the State of Nevada. Opportunity Village has a license agreement with the State granting use of this land until October 2039.

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.

Opportunity Village reports gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction.

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.

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.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Management and general expenses are shared and allocated between Opportunity Village and Opportunity Village Foundation, Inc. ("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 allocated to the Foundation is based on a maximum of ten percent of the Foundation's total monthly expenses. For the years ended June 30, 2007 and 2006, management and general expenses of \$143,979 and \$123,689, respectively, were allocated from Opportunity Village to the Foundation.

Total Columns on Combined Statement

Total columns in the statement of functional expenses are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Nonprofit Status

Opportunity Village is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not include a provision for income taxes.

Related Parties

Opportunity Village is financially dependant 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 interests of individuals with intellectual disabilities. This support totaled \$1,812,936 and \$1,261,428 for the years ended June 30, 2007 and 2006, respectively. Opportunity Village had an amount due to the Foundation of \$728,074 and an amount due from the Foundation of \$29,022 for the years ended June 30, 2007 and 2006, respectively.

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 \$65,852 and \$98,088 for the years ended June 30, 2007 and 2006, respectively. The Las Vegas Review-Journal also donates a significant portion of advertising to Opportunity Village.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Parties (continued)

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 \$58,916 and \$111,763 for the years ended June 30, 2007 and 2006, respectively. 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 \$46,211 and \$25,967 for the years ended June 30, 2007 and 2006, respectively.

Opportunity Village purchases custodial supplies from Waxie Sanitary Supply where a Foundation board member was employed as Vice-President and General Manager. Those purchases totaled \$124,262 and \$226,516 for the years ended June 30, 2007 and 2006, respectively. Waxie has provided Opportunity Village with a number of work center contracts, recruited volunteers for special projects, and spearheaded a campaign for new building signage.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant estimates used by Opportunity Village include accounts receivable and the estimated useful lives for fixed assets. Actual results could differ from those estimates.

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 the assets.

Management of Opportunity Village believes that no adjustment for impairment is necessary at June 30, 2007 and 2006.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND 2006

2. PROPERTY AND EQUIPMENT

During the year ended June 30, 2007 and 2006, the Foundation transferred a total of \$396,396 and \$298,970, respectively, as grants to Opportunity Village for equipment and leasehold improvements. The Foundation's Board of Directors relinquished all interests in these fixed assets.

3. OTHER ASSETS

The following is a summary of other assets at June 30:

	<u>2007</u>	<u>2006</u>
Deposits	\$ 45,820	\$ -
License agreement	7,404	7,632
Investments for deferred compensation	166,558	139,689
Down payment - Employer Assisted Housing Program	<u>38,542</u>	<u>36,542</u>
Total	<u>\$ 258,324</u>	<u>\$ 183,863</u>

4. 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, 2007 and 2006 was \$292,605 and \$155,550, respectively. Future minimum payments under these operating leases as of June 30, 2007 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	
2008	\$ 445,594
2009	452,275
2010	291,692
2011	<u>5,625</u>
	<u>\$ 1,195,186</u>

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND 2006

5. LONG-TERM DEBT

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

	<u>2007</u>
Note payable, non-interest bearing, due \$2,934 monthly, maturing in fiscal year 2009, secured by a license agreement for software and maintenance support.	\$ 37,855
Less current portion	<u>(35,214)</u>
Total long-term debt, less current portion	<u>\$ 2,641</u>

Scheduled maturities of long-term debt at June 30, 2007 are as follows:

2008	\$ 35,214
2009	<u>2,641</u>
	<u>\$ 37,855</u>

6. CONCENTRATION OF CREDIT RISK

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.

At June 30, 2007 and 2006, Opportunity Village had cash deposits in excess of federally insured limits of \$194,794 and \$0, respectively.

7. LINE OF CREDIT

In January 2007, Opportunity Village and the Foundation paid in full the amount due and terminated the agreement on a line of credit with Wells Fargo Bank. At June 30, 2006, the organizations had drawn \$1,128,516, on the line of credit.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND 2006

8. 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 years ending June 30, 2007 and 2006, Opportunity Village matched 50% of an employee's contribution to the plan up to \$2,000 per year. Retirement plan expenses were \$45,981 and \$38,894, respectively.

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a grant provided by the Department of Housing and Urban Development to be used for Opportunity Village's Home Choice Program. The Program provides deferred payment loans to be used for down payment assistance and eligible closing costs to accomplish the objective of homeownership for disabled, low-income first-time homebuyers.

10. COMMITMENTS AND CONTINGENCIES

In January 2007, 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 at the intersection of Buffalo and Patrick in Clark County, Nevada is recorded on 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.

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.

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2007 AND 2006

11. ITEMS RECLASSIFIED NOT SPECIFICALLY IDENTIFIED

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.

12. DONATED SERVICES

The estimated fair value of unrecorded donated services, which principally consist of non-professional volunteers was approximately \$13,861 for the year ended June 30, 2007. 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.