OPPORTUNITY VILLAGE FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

CONTENTS

CPAs & BUSINESS CONSULTANTS
STEWART
ARCHIBALD
& BARNEY, LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village Foundation, Inc.

We have audited the accompanying statements of financial position of Opportunity Village Foundation, Inc. ("Foundation") 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 the Foundation'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 the Foundation 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.

Stewart, Archibald & Barney, LLP

Las Vegas, Nevada
October 31, 2007

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OPPORTUNITY VILLAGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

ASSETS	2007	2006
Current assets:		
Cash and cash equivalents	**$ 1,529,966**	$ -
Investments, at market value	**1,913,257**	4,666,391
Interest receivable	**12,412**	11,333
Unconditional promises to give, current (restricted)	**4,315,340**	1,147,400
Grants receivable	**174,846**	217,138
Prepaid expenses and other	**221,244**	72,405
Donated inventory	**48,716**	27,325
Due from Opportunity Village	**728,074**	-
Total current assets	**8,943,855**	6,141,992
Property and equipment:		
Automobiles and trucks	**33,525**	41,074
Buildings and improvements	**877,697**	944,309
Machinery and equipment	**659,982**	593,904
Carousel	**254,613**	254,613
Construction in progress (restricted)	**1,688,078**	614,017
Accumulated depreciation	**(1,090,681)**	(915,649)
Net property and equipment	**2,423,214**	1,532,268
Other noncurrent assets:		
Cash and cash equivalents restricted to investment in building	**25,260,012**	3,038,334
Investments, at market value (restricted)	**12,093,316**	4,865,997
Deferred bond issuance costs	**670,429**	-
Employee assisted housing receivable	**-**	6,000
Unconditional promises to give, net of current portion (restricted)	**4,120,213**	2,101,835
Land held for investment (restricted)	**835,000**	-
Total other noncurrent assets	**42,978,970**	10,012,166
Total assets	**$ 54,346,039**	$ 17,686,426
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	**$ 367,237**	$ 182,344
Bank overdraft	**-**	288,472
Deferred income	**111,850**	160,959
Due to Opportunity Village	**-**	29,022
Total current liabilities	**479,087**	660,797
Long-term liabilities:		
Long-term debt	**24,275,000**	-
Total liabilities	**24,754,087**	660,797
Net assets:		
Unrestricted	**3,626,764**	4,748,793
Unrestricted, Board designated to investment in building (Note 4)	**2,657,931**	1,123,270
Temporarily restricted (Note 4)	**20,528,920**	8,375,229
Permanently restricted (Note 4)	**2,778,337**	2,778,337
Total net assets	**29,591,952**	17,025,629
Total liabilities and net assets	**$ 54,346,039**	$ 17,686,426

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

OPPORTUNITY VILLAGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Change in unrestricted net assets		
Revenues, gains, and support:		
Public support:		
Organization and individual contributions	**$ 462,463**	$ 447,969
Other revenues:		
Fundraising revenues	**4,092,829**	5,197,615
Interest, dividends, and other	**180,236**	117,555
Gain on investments	**604,558**	692,193
Gain on sale of assets	**806**	844,801
Net assets released from restriction due to satisfaction of program restrictions	**488,910**	467,510
Total unrestricted revenues, gains, and support	**5,829,802**	7,767,643
Expenses and losses:		
Support services:		
Fundraising	**2,925,314**	4,224,725
Management and general	**661,166**	574,447
Total unrestricted expenses and losses	**3,586,480**	4,799,172
Increase in unrestricted net assets before grants to Opportunity Village	**2,243,322**	2,968,471
Grants to Opportunity Village	**(1,830,690)**	(1,317,920)
Increase in unrestricted net assets	**412,632**	1,650,551
Change in temporarily restricted net assets		
Revenues, gains, and support:		
Public support:		
Organization and individual contributions	**103,040**	143,690
Grants	**63,865**	144,054
Other revenues and charges:		
Contributions to capital campaign	**10,796,828**	5,058,293
In-kind donations	**835,000**	400,000
Interest and dividends	**246,019**	91,779
Gain on investments	**597,849**	228,512
Net assets released from restriction due to satisfaction of program restrictions	**(488,910)**	(467,510)
Increase in temporarily restricted net assets	**12,153,691**	5,598,818

(Continued)

OPPORTUNITY VILLAGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Change in permanently restricted net assets		
Revenues, gains, and support:		
Public support:		
Organization and individual contributions	-	399,249
Increase in permanently restricted net assets	-	399,249
Increase in net assets	**12,566,323**	7,648,618
Net assets, beginning of year	**17,025,629**	9,377,011
Net assets, end of year	**$ 29,591,952**	$ 17,025,629

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

	Support Services		Totals (Memorandum Only)	
	Fundraising	Management and General	2007	2006
Staff salaries	$ 641,699	$ -	$ 641,699	$ 544,638
Payroll taxes	44,691	-	44,691	41,567
Employee health insurance	30,967	-	30,967	28,690
Bank fees	119,111	-	119,111	-
Utilities	-	12,229	12,229	9,716
Depreciation	193,375	-	193,375	169,898
Supplies	156,626	-	156,626	21,505
Insurance and taxes	32,398	-	32,398	38,332
Transportation	17,417	-	17,417	15,831
Fundraising	-	-	-	242,237
In-kind donations	1,502,478	-	1,502,478	3,093,496
Advertising and publications	174,768	-	174,768	20,464
Telephone	-	14,895	14,895	31,392
Conferences	-	19,374	19,374	9,569
Repairs and maintenance	-	38,132	38,132	23,305
Professional fees	-	321,606	321,606	232,731
Postage	11,784	-	11,784	8,067
Facilities overhead allocation for services provided by Opportunity Village	-	9,684	9,684	18,891
Administrative overhead allocation for services provided by Opportunity Village	-	178,339	178,339	144,085
Other	-	66,907	66,907	104,759
Total	**$ 2,925,314**	**$ 661,166**	**$ 3,586,480**	**$ 4,799,173**

OPPORTUNITY VILLAGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash flows from operating activities:		
Increase in net assets	$ 12,566,323	$ 7,648,619
Depreciation and amortization expense	202,818	169,898
Adjustment for purchase of assets restricted to investment in building	-	(2,161,591)
(Gain) loss on disposal of assets	(806)	(844,801)
Donated assets	(1,900,102)	(108,811)
Grant to Opportunity Village for donated assets	400,375	-
Unrealized gain on investments	(250,384)	(182,560)
(Increase) decrease in:		
Accrued interest receivable	(1,079)	194
Pledges receivable	(4,254,051)	(3,241,215)
Grants receivable	42,292	289,338
Prepaid expenses and other assets	(148,839)	(62,848)
Donated inventory	(21,391)	(16,333)
Other assets	6,000	4,000
Increase (decrease) in:		
Deferred income	(49,109)	4,037
Bank overdraft	(288,472)	288,472
Accounts payable	184,893	84,189
Due to Opportunity Village	(757,096)	29,022
Net cash provided by operating activities	5,731,372	1,899,610
Cash flows from investing activities:		
Proceeds from the sale of assets	2,000	994,801
Sale of restricted assets	1,586,719	406,947
Expenditures for acquisition of property and equipment with restricted cash	(1,479,610)	(406,947)
Purchase of assets restricted to investment in building	(23,702,238)	(2,161,591)
Expenditures for acquisition of property and equipment	(26,994)	(480,581)
Cash paid for investments	(39,391,306)	(14,871,923)
Proceeds from sale of investments	35,214,894	12,756,610
Net cash used in investing activities	(27,796,535)	(3,762,684)
Cash flows from financing activities:		
Net proceeds (payments) on line of credit	-	(298,516)
Proceeds from long-term borrowing	23,595,129	-
Contributions restricted for purchasing building	-	2,161,591
Net cash provided by financing activities	23,595,129	1,863,075
Net increase in cash and cash equivalents	1,529,966	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	$ 1,529,966	$ -
Supplemental information:		
Cash paid during the year for interest	$ -	$ 42,733

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Opportunity Village Foundation, Inc. (the "Foundation") is 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 following is a summary of significant accounting policies:

Basis of Presentation

The Foundation 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.

Investments

Investments are recorded at market value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.*

Property and Equipment

Buildings and improvements, furniture, 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 3 to 5 years for automobiles, 3 to 10 years for furniture and equipment, 15 years for the carousel, and 5 to 30 years for buildings and improvements.

Revenue Recognition

The Foundation 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.

The Foundation 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.

Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 allocated between the Foundation and Opportunity Village Association for Retarded Citizens, Inc. ("Opportunity Village"), a not-for-profit organization operated to assist and train adults with severe intellectual disabilities through vocational training, employment and similarly organized activities. The allocation is based on each entity's percentage of the combined revenues of both entities. For the years ended June 30, 2007 and 2006, management and general expenses of $188,023 and $162,976, respectively, were allocated from Opportunity Village to the Foundation.

Deferred Income

The Foundation received pre-payments for future fundraising events that are scheduled for fiscal year 2008 and 2007. Accordingly, the amounts have been recorded as deferred income and will be recognized as revenue when the events occur.

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 operation 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.

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 revenues and expenses during the period. Management uses estimates and assumptions to determine the useful lives for fixed assets. Actual results could differ from those estimates. Significant estimates include collectibility of pledges receivable and grants receivable, unamortized discount of pledges receivable, and valuation of contributions.

Nonprofit Status

The Foundation 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Foundation expensed all of its advertising costs as they were incurred. Advertising expense for the years ended June 30, 2007 and 2006 were $111,126 and $644, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance as of June 30, 2007 and 2006 was $25,000.

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 $1,830,690 and $1,317,920 for the years ended June 30, 2007 and 2006, respectively. The Foundation had an amount due from Opportunity Village of $728,074 and an amount due to Opportunity Village of $29,022 for the years ended June 30, 2007 and 2006, respectively.

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

The Foundation utilizes Morrissey Insurance as a broker for employee health and life insurance where a board member is President. Commissions paid to Morrissey Insurance totaled $1,429 and $803 for the years ended June 30, 2007 and 2006, respectively. Morrissey Insurance financially supports a number of fundraising events.

The Foundation maintains investments with Bank of America where an Opportunity Village board member is employed in an executive capacity. Those investments totaled approximately $1,400,000 at June 30, 2007 and 2006, respectively. There were no commissions paid to Bank of America for the years ended June 30, 2007 and 2006. Bank of America financially supports a number of fundraising events.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Parties (continued)

The Foundation utilizes Eckelkamp Retirement Planning as an investment broker where an Opportunity Village board member is President. Those investments totaled approximately $15,139,982 and $9,090,259 at June 30, 2007 and 2006, respectively. Fees paid to Eckelkamp Retirement Planning totaled $45,437 and $27,772 for the years ended June 30, 2007 and 2006, respectively. Eckelkamp Retirement Planning financially supports a number of fundraising events.

The Foundation utilizes JMA Architecture Studios for various architectural services where a board member is President. Fees paid to JMA totaled $780,166 and $522,331 for the years ended June 30, 2007 and 2006, respectively. JMA donates a significant portion of those fees back to the Foundation and financially supports a number of fundraising events.

Impairment of Long-Lived Assets

The Foundation 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.

The Foundation believes that no adjustment for impairment is necessary at June 30, 2007 and 2006.

Capitalization of Interest Costs on Borrowings

The Foundation follows the provisions of SFAS No. 62, *Capitalization of Interest Cost in Situation Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants.* The Foundation offsets interest income against capitalized interest cost on borrowings incurred during the new construction or upgrade of qualifying assets financed with the proceeds of tax-exempt borrowings for which the funds are restricted to finance the acquisition of the qualifying assets or the servicing of the related debt. The amounts are offset to the cost of the underlying assets from the date of the borrowing until the assets are ready for their intended use, at which time they are amortized over the useful lives of the assets. For the year ended June 30, 2007, the Foundation capitalized $312,702 of interest, which was offset by $419,812 in interest income in connection with the Variable Rate Demand Economic Development Revenue Bonds (Opportunity Village Foundation Project) Series 2007.

Restricted Cash Included in Other Non-Current Assets

At June 30, 2007, other non-current assets included restricted cash of $25,260,012 pledged for the construction of the building and the leasehold improvements at the intersection of Buffalo and Patrick in Clark County, Nevada.

2. INVESTMENTS

Equity securities with readily determinable fair value and all debt securities are reported at estimated fair value based on quoted market prices. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. A substantial portion of endowment funds is presently invested in corporate bonds and mutual funds. The net appreciation in the fair market value of these investments (in aggregate) at June 30, 2007 and 2006 was $1,202,407 and $920,705, respectively. Since their market values are not readily determinable on open markets, the REIT's are stated at market values as provided by the investment manager. Investments consist of the following at June 30:

	2007	2006
Corporate bonds and bond funds	$ 849,636	$ 1,008,734
Mutual funds - equity securities	12,679,751	7,504,605
Certificates of deposit	-	600,000
REIT's	477,186	419,049
Total	$ 14,006,573	$ 9,532,388

Restricted investments are carried at fair value and are restricted as to withdrawal for construction financing and donor imposed restrictions on endowments. Restricted investments are held in the Foundation's name.

3. PROPERTY AND EQUIPMENT

The Foundation incurred construction in progress expenditures of $1,432,234 and $970,843, respectively, for the building and the leasehold improvements. During the year ended June 30, 2007 and 2006, the Foundation transferred a total of $400,375 and $298,970, respectively, as grants to Opportunity Village for vehicles, equipment and leasehold improvements. The Foundation's Board of Directors relinquished all interests in these fixed assets.

4. NATURE AND AMOUNT OF NET ASSETS

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Permanently restricted net assets are restricted by the donor for investment in perpetuity, the income from which is available to support any activity of the Foundation.

Board designated restrictions on unrestricted net assets of $2,657,931 and $1,123,270 at June 30, 2007 and 2006, respectively, are intended for the capital campaign drive and for the repayment of the Variable Rate Demand Economic Development Revenue Bonds (Opportunity Village Foundation Project) Series 2007.

4. NATURE AND AMOUNT OF NET ASSETS (Continued)

Temporarily and permanently restricted net assets are available for the following purposes at June 30:

		2007		2006
Christopher Smith Endowment	$	1,653,195	$	1,217,278
CDBG Grants		7,000		233,966
Capital Campaign Drive		17,617,342		6,845,529
Carousel and train maintenance		123,200		78,456
Walters campus expansion		835,000		-
Donor imposed program restrictions		293,183		-
Total temporarily restricted net assets	$	20,528,920	$	8,375,229
Lied Foundation Endowment	$	2,229,088	$	2,229,088
Carousel Endowment		150,000		150,000
Forrest Endowment		399,249		399,249
Total permanently restricted net assets	$	2,778,337	$	2,778,337

5. IN-KIND CONTRIBUTIONS

In-kind contributions principally consist of donated supplies and professional services for support and fundraising events. The estimated fair value of recognized donated supplies and services included the following at June 30:

		2007		2006
Program service				
Fundraising	$	1,502,478	$	3,093,496

The estimated fair value of unrecorded donated services, which principally consist of non-professional volunteers, was approximately $819,780 and $1,182,594 for the years ended June 30, 2007 and 2006, respectively. As required by SFAS 116, *Accounting for Contributions Received and Contributions Made*, these amounts are not included in the in-kind donations listed in the statements of activities and changes in net assets on page 3.

6. LINE OF CREDIT

The Foundation and Opportunity Village had available a line of credit with Wells Fargo Bank for $1,500,000 at June 30, 2006. Interest was at the bank's prime rate. The line of credit was secured by all assets of both organizations. In January 2007, Opportunity Village and the Foundation paid in full the amount due and terminated the agreement on the line of credit. At June 30, 2006, the organizations had drawn $1,128,516 on the line of credit.

The line of credit agreement required the organizations to maintain certain financial covenants. The organizations complied with the covenants as of June 30, 2006.

7. CONCENTRATION OF CREDIT RISK

The Foundation has concentrated its credit risk by maintaining deposits in financial institutions which at the 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. The Foundation 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, the Foundation had cash deposits in excess of federally insured limits of $627,565 and $1,730,958, respectively.

8. UNCONDITIONAL PROMISES TO GIVE

As of June 30, 2007 the Board of County Commissioners of Clark County and the City of Henderson have made written promises to give $174,846 in Community Development Block Grant funds, all of which is receivable in less than one year. The funds are to be used for various building improvements and program assistance and are on a reimbursable basis.

Unconditional promises to give are restricted to the purchase of building and consists of the following as of June 30, 2007 and 2006:

	2007	2006
Receivable in less than one year	$ 4,315,340	$ 1,147,400
Receivable in one to five years	4,697,347	2,473,700
Receivable in more than five years	50,000	-
Total unconditional promises to give	9,062,687	3,621,100
Less unamortized discount	(602,134)	(346,865)
Less allowance for doubtful accounts	(25,000)	(25,000)
Net unconditional promises to give	$ 8,435,553	$ 3,249,235

Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of 4% in 2007 and 2006. Amounts are recorded as temporarily restricted net assets until released from restriction. Approximately 34% of the unconditional promises to give at June 30, 2007 was from one donor.

9. LEASES

The Foundation's leasing arrangements consist primarily of the leasing of retail space and equipment under operating leases with noncancelable terms that expire up to 2011.

9. LEASES (Continued)

The Foundation has also entered into a thirty year leasing arrangement with Clark County for land located at the corner of Buffalo and Patrick, with the option to extend the lease for two additional fifteen year periods. The yearly lease expense of $1,200 has an estimated fair market value of $576,900, of which the Foundation has recognized $575,700 as an in-kind donation during the year ended June 30, 2007.

The total expense incurred under the leases for the years ended June 30, 2007 and 2006 were $5,467 and $20,756, respectively. Future minimum payments under the operating lease as of June 30, 2007 are as follows:

Fiscal Year Ending June 30,	
2008	$ 2,378
2009	2,378
2010	2,378
2011	1,494
2012	1,200
Thereafter	31,000
	$ 40,828

10. 403(B) RETIREMENT PLAN

The Foundation 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, the Foundation matched 50% of an employee's contribution to the plan up to $2,000 per year. Retirement plan expenses were $6,408 and $5,308, respectively.

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 total net assets.

12. LONG-TERM DEBT

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.

12. LONG-TERM DEBT (Continued)

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 assets.

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

	2007
Clark County, Nevada Variable Rate Demand Economic Development Revenue Bonds with varying annual principal payments due through January 1, 2037, including interest at variable rates, collateralized by: all monies held by the bond trustee, Bank of New York; The Thrift Store property recorded on Opportunity Village's books; leasehold improvements on the 10.9 acres of real property located at the northeast corner of Buffalo Drive and Patrick Lane, Clark County, Nevada (APN 163-34-201-013); Gross revenues and all deposit accounts of Opportunity Village and the Foundation; Leases on the Thrift Store property.	$ 24,275,000

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

Fiscal Year Ending June 30,	
2008	$ -
2009	425,000
2010	440,000
2011	460,000
2012	480,000
Thereafter	22,470,000
	$ 24,275,000

13. COMMITMENTS AND CONTINGENCIES

The Foundation 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 the Foundation's financial position, results of operations, or liquidity.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Foundation entered into an interest rate swap arrangement effective April 2007 with its bank that effectively fixes the interest rate on the Variable Rate Demand Economic Development Revenue Bonds (Opportunity Village Foundation Project) Series 2007 at 3.58%. The Foundation's purpose in entering into this swap arrangement was to hedge against the risk of interest rate increases on the related variable rate debt. The notional amount of the contract as of June 30, 2007 was $12,275,000 and it matures April 2017.

15. LETTER OF CREDIT

At June 30, 2007, a standby letter of credit of approximately $25 million has been issued 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, requires an annual commitment fee of 1.65% of the maximum commitment charged quarterly, and is collateralized by deeds of trust to the leasehold improvements at the intersection of Buffalo and Patrick in Clark County, Nevada and on the thrift store property recorded on Opportunity Village's books.

The letter of credit agreement requires the organizations to maintain certain financial covenants. The organizations have complied with the covenants as of June 30, 2007.