OPPORTUNITY VILLAGE

FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

HOULDSWORTH RUSSO & COMPANY
Certified Public Accountants

HOULDSWORTH, RUSSO & COMPANY
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OPPORTUNITY VILLAGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village Foundation

We have audited the accompanying financial statements of Opportunity Village Foundation ("Foundation"), which comprise the statement of financial position as of June 30, 2014, 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 the Foundation as of June 30, 2014 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.

Certified Public Accountants

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
September 19, 2014

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,345,043	$ 7,872,867
Investments	42,999,719	32,542,065
Due from Opportunity Village ARC	2,549,819	74,599
Unconditional promises to give, current, net	2,556,703	2,734,071
Notes receivable, current	4,977	5,332
Leases receivable, current	-	1,480
Other receivables	4,000	6,000
Prepaid expenses	29,798	28,587
Supplies inventory	79,049	61,027
	54,569,108	43,326,028
Property and equipment:		
Automobiles and trucks	28,663	52,063
Buildings and improvements	889,154	861,399
Machinery and equipment	1,691,708	1,392,628
Carousel	254,613	254,613
Construction in progress	570,898	1,603,309
Accumulated depreciation	(1,992,002)	(1,783,068)
	1,443,034	2,380,944
Other noncurrent assets:		
Investments, permanently restricted	7,308,337	7,278,337
Land held for investments	51,000	51,000
Deposits	60,219	60,219
Deferred bond issuance costs, net	303,744	358,120
Ownership interest in Roberts Boulder, LLC	240,000	234,626
Other noncurrent assets	212,820	-
Unconditional promises to give, net	1,947,342	2,160,853
Notes receivable, net	116,089	143,048
Leases receivable, net	-	1,045
	10,239,551	10,287,248
	$ 66,251,693	$ 55,994,220

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2014 AND 2013

	2014	2013
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 6,264	$ 166,957
Accrued expenses	120,278	136,135
Deferred income	134,341	57,212
	260,883	360,304
Long-term liabilities:		
Deferred compensation	174,697	138,822
Long-term debt	17,000,000	17,600,000
	17,174,697	17,738,822
Total liabilities	17,435,580	18,099,126
Net assets:		
Unrestricted	27,865,112	20,568,302
Temporarily restricted	13,642,664	10,048,455
Permanently restricted	7,308,337	7,278,337
	48,816,113	37,895,094
	$ 66,251,693	$ 55,994,220

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Changes in unrestricted net assets		
Revenues, gains and support:		
Organization and individual contributions	$ 828,042	$ 1,959,811
Other revenues:		
Fundraising revenues, less direct expenses		
of $1,664,216 and $1,750,727, respectively	4,030,392	3,798,124
Interest revenue	1,366,507	750,638
Gain on investments	5,330,498	2,303,583
Net assets released from restriction		
due to satisfaction of program and time restrictions	675,978	2,702,812
	11,403,375	9,555,157
	12,231,417	11,514,968
Expenses and losses:		
Program	1,677,331	1,401,403
Support services:		
Fundraising	2,287,178	2,012,588
Management and general	969,608	944,767
Loss on disposal of property and equipment	490	13,229
	4,934,607	4,371,987
Increase in unrestricted net assets	7,296,810	7,142,981
Change in temporarily restricted net assets		
Revenues, gains, and support:		
Organization and individual contributions	3,941,607	3,691,678
Contributions to capital campaign	218,886	13,664
Interest revenue	139,694	329,633
Net assets released from restriction		
due to satisfaction of program and time restrictions	(675,978)	(2,702,812)
Net assets transferred to permanently restricted		
net assets	(30,000)	(125,000)
Increase in temporarily restricted net assets	3,594,209	1,207,163

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Change in permanently restricted net assets		
Net assets transferred to permanently restricted net assets	30,000	125,000
Increase in permanently restricted net assets	30,000	125,000
Increase in net assets	10,921,019	8,475,144
Net assets, beginning of year	37,895,094	29,419,950
Net assets, end of year	$ 48,816,113	$ 37,895,094

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

		Support Services			
	Program	Fundraising	Management and General	2014 Total	2013 Total
Grants to Opportunity Village ARC	$ 1,677,331	$ -	$ -	$ 1,677,331	$ 1,401,403
Staff salaries	-	1,105,732	407,292	1,513,024	1,209,816
Payroll taxes	-	96,847	-	96,847	67,652
Employee health insurance	-	53,176	-	53,176	40,018
Bank and credit card fees	-	-	75,949	75,949	90,493
Interest and bond expenses	-	-	187,155	187,155	194,229
Occupancy	-	59,890	-	59,890	73,424
Bad debt	-	-	44,596	44,596	86,018
Depreciation and amortization	-	255,125	54,377	309,502	259,312
Insurance and taxes	-	53,012	-	53,012	46,469
Transportation	-	8,556	-	8,556	14,523
Supplies	-	110,882	-	110,882	94,814
Supplies, in-kind	-	-	-	-	187,035
Event advertising	-	117,889	-	117,889	28,138
Event advertising, in-kind	-	-	-	-	92,200
Telephone	-	40,015	-	40,015	32,127
Conferences	-	41,169	-	41,169	10,423
Repairs and maintenance	-	27,771	-	27,771	16,821
Retirement expenses	-	15,664	-	15,664	15,658
Professional fees	-	-	21,600	21,600	21,892
Subcontracts and consulting	-	266,224	103,048	369,272	302,618
Facilities maintenance	-	-	63,840	63,840	55,608
Miscellaneous	-	35,226	11,751	46,977	18,067
Total	$ 1,677,331	$ 2,287,178	$ 969,608	$ 4,934,117	$ 4,358,758

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Changes in unrestricted net assets		
Increase in net assets	$ 10,921,019	$ 8,475,144
Depreciation and amortization expense	309,502	259,312
Fixed assets donated to Opportunity Village ARC	1,159,464	50,034
Donated property and equipment	(27,755)	(46,091)
Donated investments	(162,500)	-
(Gain) loss on disposal of property and equipment	490	13,229
Bad debt expense	44,596	86,018
Change in present value discount on pledges	(96,407)	(92,458)
(Gain) loss on investments	(5,330,498)	(2,303,583)
Forgiveness of employee housing receivable	2,000	2,000
(Increase) decrease in:		
Pledges receivable	442,690	(372,926)
Due from Opportunity Village ARC	(2,475,220)	706,020
Prepaid expenses	(1,211)	(7,264)
Inventory	(18,022)	29,138
Increase (decrease) in:		
Accounts payable	(160,693)	(272,881)
Accrued expenses	(15,857)	7,863
Deferred income	77,129	(50,839)
Deferred compensation	14,000	-
Net cash provided by operating activities	4,682,727	6,482,716
Cash flows from investing activities:		
Expenditures for property, plant, and equipment	(449,415)	(1,229,398)
Cash paid for investments	(66,131,512)	(45,287,613)
Proceeds from sale of investments	60,940,537	41,488,373
Notes receivable	27,314	3,987
Leases receivable	2,525	1,442
Net cash used in investing activities	(5,610,551)	(5,023,209)

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash flows from financing activities:		
Principal payments on long term debt	(600,000)	(600,000)
Net cash used in financing activities	(600,000)	(600,000)
Net increase (decrease) in cash and cash equivalents	(1,527,824)	859,507
Cash and cash equivalents, beginning of year	7,872,867	7,013,360
Cash and cash equivalents, end of year	$ 6,345,043	$ 7,872,867
Supplemental information:		
Interest expense paid	$ 15,624	$ 26,168
Construction in progress acquired through accounts payable	$ -	$ 155,693
Construction in progress acquired through accrued expenses	$ -	$ 74,091

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Opportunity Village Foundation (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 Foundation is supported primarily through donor contributions, grants from donors and organizations, and fundraising events held in the Southern Nevada region.

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

The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Codification. Under FASB Codification, the Foundation 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at market value in accordance with FASB Codification. All investments in real estate have been donated and are recorded at the fair market value on the date of donation in accordance with FASB Codification.

Property and Equipment

The Foundation 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of supplies used at special events. Purchased inventory is carried at cost. Donated inventory is carried at the approximate fair value at the date of donation.

Revenue Recognition

The Foundation accounts for contributions in accordance with FASB Codification. As such, contributions are recognized as revenue when they are received or unconditionally pledged, including bequests and unconditional promises to give, at their estimated net realizable value. Bequests are recognized at the time the Foundation's right to them is established by a court and to the extent the value of proceeds is subject to reasonable estimation. Gross special events revenue recognized on the statements of activities as of June 30, 2014 and 2013 was $5,694,608 and $5,548,851, respectively.

Restricted and Unrestricted Revenue

Contributions and investment income earned on endowments that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions in accordance with FASB Codification, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The estimated fair value of unrecorded donated services, which principally consist of non-professional volunteers, was approximately $1,124,343 and $956,337 for the years ended June 30, 2014 and 2013, respectively. These amounts are not included in the in-kind donations listed in the statements of activities and changes in net assets.

Income Tax Status

The Foundation 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Management and general expenses are allocated between the Foundation and Opportunity Village Association for Retarded Citizens ("Opportunity Village ARC"), 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 ARC provides management services on behalf of the Foundation for which the Foundation pays based on an annual agreement. The payment and allocation of such expenses to the Foundation is based on a salary allocation and estimated costs to provide facilities maintenance and custodial services to the Foundation. For the years ended June 30, 2014 and 2013, management and general expenses of $471,132 and $445,865, respectively, were allocated to the Foundation and paid for by the Foundation.

Deferred Revenue

Deferred revenue consists of pre-payments for fundraising events that are scheduled in the fiscal year subsequent to when payment is received. Accordingly, such payments are recorded as deferred income and are recognized as revenue in the fiscal year that the events occur.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates include collectability of receivables, unamortized discount of pledges receivable, and valuation of contributions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation records an allowance to estimate 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, 2014 and 2013 was $314,375 and $394,290, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

The Foundation 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, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation follows the provisions of 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. The Foundation believes that no adjustment for impairment is necessary at June 30, 2014 and 2013.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2013, from which the summarized information was derived. Additionally, certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

Subsequent Events

Subsequent events have been evaluated through September 19, 2014, which is the date the financial statements were available to be issued.

2. ADVERTISING

The Foundation expensed all of its advertising costs as they were incurred. Advertising costs totaled $1,028,639 and $1,286,708 during the year ended June 30, 2014 and 2013, respectively.

3. CONCENTRATIONS

The Foundation has concentrated its credit risk by maintaining deposits in several 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. The Foundation has not experienced any losses in such accounts and believes it is not exposed to a significant credit risk to cash.

4. INVESTMENTS

Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Real estate investments without readily determinable fair values are stated at cost. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Since their market values are not readily determinable on open markets, the Real Estate Investment Trusts (REITs) are stated at market values as provided by the investment manager. Fees related to the investment accounts totaled $225,992 and $189,361 for the years ended June 30, 2014 and 2013, respectively. In addition to investments valued at fair value below, the Foundation holds land for investment, valued at its original donation value of $51,000 as of June 30, 2014 and 2013. Investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Corporate bonds and bond funds	$ 9,184,340	$ 11,340,540
Mutual funds	21,706,764	10,831,344
Equity securities	17,963,141	16,194,419
Real estate investment trusts	1,453,811	1,454,099
Ownership interest in Roberts Boulder, LLC	240,000	234,626
Total	50,548,056	40,055,028
Current	42,999,719	32,542,065
Long-term	$ 7,548,337	$ 7,512,963

5. FAIR VALUE MEASUREMENTS

In accordance with the FASB Codification, the following are quantitative disclosures about fair value measurements of assets and liabilities. Fair value measurements are categorized on three levels:

Level 1: Quoted prices in active markets for identical assets.

Trading securities – these are traded by dealers or brokers in active markets, and valuations are obtained from readily available pricing sources for market transactions involving the assets.

Level 2: Inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Real estate investment trusts - these are traded by dealers or brokers in active market, and valuations are obtained from similar assets.

Level 3: Significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

Ownership interest in Roberts Boulder, LLC – this ownership interest is valued based on the partnership's sole asset, land. The land's fair value is assessed based on comparable properties.

5. FAIR VALUE MEASUREMENTS (Continued)

The Foundation's only assets valued at fair value are its investments.

The Foundation holds investments in publicly traded equity or debt instruments, in real estate investment trusts, and ownership interest in Roberts Boulder, LLC, as follows:

	Level 1	Level 2	Level 3	June 30, 2014
Trading securities	$ 48,854,245	$ -	$ -	$ 48,854,245
Real estate investment trusts	-	1,453,811	-	1,453,811
Ownership interest in Roberts Boulder, LLC	-	-	240,000	240,000
Total	$ 48,854,245	$ 1,453,811	$ 240,000	$ 50,548,056

	Level 1	Level 2	Level 3	June 30, 2013
Trading securities	$ 38,366,303	$ -	$ -	$ 38,366,303
Real estate investment trusts	-	1,454,099	-	1,454,099
Ownership interest in Roberts Boulder, LLC	-	-	234,626	234,626
Total	$ 38,366,303	$ 1,454,099	$ 234,626	$ 40,055,028

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2014:

Beginning balance	$ 234,626
Unrealized gain on investment	5,374
Ending balance	$ 240,000

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2013:

Beginning balance	$ 470,080
Unrealized loss on investment	(235,454)
Ending balance	$ 234,626

6. NOTES RECEIVABLE

Interest income on the notes receivable is recorded when payments on the notes are received. There are no related fees associated with the notes receivable. Notes receivables are determined to be delinquent when payments are not received in full and in accordance with the note agreements.

The following is a summary of notes receivable at June 30, 2014 and 2013:

	2014	2013
Dalene Avenue property in Henderson, Nevada, secured by deed of trust, with interest-only monthly payments of $145. Interest is calculated at 7.5% and the note is interest-only for the remainder of the tenant's life.	$ 23,155	$ 25,234
Dean Court property in Henderson, Nevada, secured by deed of trust, monthly payments of $336 at 5% interest, matures February 2023.	36,552	35,751
Dean Court property in Henderson, Nevada, secured by deed of trust, monthly payments of $400 at 2% interest, matures November 2036.	84,514	87,395
Total	144,221	148,380
Less: allowance for doubtful accounts	23,155	-
Net notes receivable	121,066	148,380
Current	4,977	5,332
Long-term	$ 116,089	$ 143,048

Contractual maturities of notes receivable at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	
2015	$ 4,977
2016	5,137
2017	5,302
2018	5,473
2019	28,806
Thereafter	94,526
	$ 144,221

7. IN-KIND CONTRIBUTIONS

In-kind contributions are included in contributions and fundraising revenues in the statements of activities, and principally consist of donated supplies and professional services for management and general and fundraising events. The estimated fair value of recognized in-kind contributions at June 30, 2014 and 2013:

	2014	2013
Advertising	$ 910,750	$ 1,258,570
Professional fees	177,383	51,909
Facilities	-	176,128
Entertainment	2,600	2,784
Total donated services	1,090,733	1,489,391
Donated goods	270,292	443,584
Total in-kind contributions	$ 1,361,025	$ 1,932,975

8. DEFERRED BOND ISSUANCE COSTS

Deferred bond issuance costs consist of the following at June 30:

	2014	2013
Deferred bond issuance costs	$ 587,669	$ 587,669
Less: accumulated amortization	283,925	229,549
	$ 303,744	$ 358,120

Amortization expense was $54,377 and $74,841 for the years ended June 30, 2014 and 2013, respectively. Future estimated amortization for deferred bond issuance costs is as follows:

2015	$ 13,450
2016	13,450
2017	13,450
2018	13,450
2019	13,450
Thereafter	236,494
	$ 303.744

9. 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 varying activities of the Foundation.

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

	2014	2013
Recreation program	$ 1,789,015	$ 1,839,233
Housing services	4,626,861	1,364,146
Job discovery program	173,774	148,390
Scholarships	656,059	377,542
Donor imposed program restrictions	714,546	483,760
Walters Campus expansion	835,000	835,000
Arts and enrichment program	171,084	106,385
Life-Learning Park (Sean's Park)	1,406,035	1,403,950
Revive and Renew - Oakey Campus renovation	356,338	430,126
Unconditional promises to give for land leases, net	1,769,468	1,823,132
Time restricted	1,144,484	1,206,791
Total temporarily restricted net assets	$ 13,642,664	$ 10,048,455

The temporarily restricted net assets are held in the following assets at June 30, 2014 and 2013:

	2014	2013
Investments	$ 9,138,619	$ 5,153,531
Unconditional promises to give, net	4,504,045	4,894,924
Total temporarily restricted assets	$ 13,642,664	$ 10,048,455

9. NATURE AND AMOUNT OF NET ASSETS (Continued)

Permanently restricted net assets are held in investments with the investment income restricted as follows at June 30, 2014 and 2013:

	2014	2013
Lied Foundation Endowment - unrestricted	$ 2,229,088	$ 2,229,088
Walters Endowment – Magical Forest	150,000	150,000
Engelstad Scholarship Endowment - scholarships	4,000,000	4,000,000
Crawford Endowment – Magical Forest	530,000	500,000
Forrest Endowment - unrestricted	399,249	399,249
Total permanently restricted assets	$ 7,308,337	$ 7,278,337

10. ENDOWMENTS

The Foundation's endowment funds consist of the following assets:

	2014	2013
Cash and cash equivalents, unrestricted	$ 95,165	$ 266,734
Investments	8,492,343	8,902,993
Total	$ 8,587,508	$ 9,169,727

Endowment funds include permanently restricted donor funds as detailed in Note 9 and Board-designated funds for operations. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-restricted and Board-designated restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets in the donor-restricted endowment accounts until those amounts are appropriated for expenditure

10. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

by the Foundation in accordance with the donor's wishes. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 7,308,337	$ 7,308,337
Board-designated endowment funds	1,279,171	-	-	$ 1,279,171
Total	$ 1,279,171	$ -	$ 7,308,337	$ 8,587,508

10. ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,891,390	$ -	$ 7,278,337	$ 9,169,727
Investment return:				
Investment income	152,399	139,694	-	292,093
Net appreciation (realized and unrealized)	321,479	496,036	-	817,515
Total investment return	473,878	635,730	-	1,109,608
Contributions – Donor	-	-	30,000	30,000
Contributions – Board	635,730	-	-	635,730
Transfer of unrestricted endowment assets	(1,721,827)	-	-	(1,721,827)
Appropriation of endowment assets for expenditure	-	(635,730)	-	(635,730)
Endowment net assets, end of year	$ 1,279,171	$ -	$ 7,308,337	$ 8,587,508

Endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 7,278,337	$ 7,278,337
Board-designated endowment funds	1,891,390	-	-	$ 1,891,390
Total	$ 1,891,390	$ -	$ 7,278,337	$ 9,169,727

10. ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,604,722	$ -	$ 7,153,337	$ 8,758,059
Investment return:				
Investment income	344,699	200,911	-	545,610
Net depreciation (realized and unrealized)	142,408	128,722	-	271,130
Total investment return	487,107	329,633	-	816,740
Contributions – Donor	-	-	125,000	125,000
Contributions – Board	419,050	-	-	419,050
Transfer of unrestricted endowment assets	(619,489)	-	-	(619,489)
Appropriation of endowment assets for expenditure	-	(329,633)	-	(329,633)
Endowment net assets, end of year	$ 1,891,390	$ -	$ 7,278,337	$ 9,169,727

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies for the years ended June 30, 2014 and 2013.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a low level of investment risk. The Foundation expects its

10. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters (Continued)

endowment funds, on an annualized basis, to provide a total return that is superior to the weighted indices of the composite portfolio. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's Board of Directors determines each year the appropriation indices of its endowment funds based on the needs of the Foundation and Opportunity Village. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Board of Directors has designated unrestricted funds to supplement the appropriated earnings each year. Accordingly, over the long-term, the Foundation expects the current spending and designation policies to allow its endowment to grow at a rate exceeding the rate of inflation by at least 300 basis points. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

11. DEFERRED COMPENSATION

The Foundation entered into an agreement with a key employee in September 1998, which was amended during the year ended June 30, 2006. The Foundation agreed to establish a deferred compensation account and annually credit two equal installments of $7,000 on the last day of August and February during the continuance of the employee's employment. The employee is fully vested on all funds placed into the deferred compensation account including all investment income and losses. The fully vested amount, including the accumulated investment income or losses, will be distributed to the employee or beneficiary at the employee's departure, disability or death based on the payout structure of the contract. The total amount contributed by the Foundation under this agreement for the years ended June 30, 2014 and 2013 was $14,000 and $14,000, respectively. As of June 30, 2014 and 2013, the Board has designated $174,697 and $138,822, respectively, of unrestricted investments to pay the deferred compensation liability when it comes due.

12. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2014 and 2013:

	2014	2013
Unconditional promises to give for housing program	$ 600,000	$ 800,000
Unconditional promises to give for scholarships	50,000	100,000
Unconditional promise to give for Magical Forest	470,000	500,000
Unconditional promise to give for Henderson land	835,000	835,000
Other unconditional promises to give	1,060,394	1,263,914
Oakey land lease	849,564	869,681
Engelstad Campus land lease	5,719,254	5,782,819
Total unconditional promises to give	$ 9,584,212	$ 10,151,414
Receivable in less than one year	$ 980,706	$ 1,209,481
Receivable in one to five years	1,710,611	2,549,204
Receivable in more than five years	6,892,895	6,392,729
Total unconditional promises to give	9,584,212	10,151,414
Less: unamortized discount	4,765,792	4,862,200
Less: allowance for doubtful accounts	314,375	394,290
Net unconditional promises to give	4,504,045	4,894,924
Current	2,556,703	2,734,071
Long-term	$ 1,947,342	$ 2,160,853

Unconditional promises to give are recorded at the present value of estimated future cash flows using discount rates ranging between 0.72% and 4%. Amounts are recorded as temporarily restricted net assets until released from restriction.

13. LEASES

In November 1990, the Foundation entered into an agreement with the State of Nevada to lease land, upon which the Foundation constructed the Walters Campus, which was completed and donated to Opportunity Village ARC in May 2000. The term of the land lease was amended in July 2009 for forty-nine (49) years with no rental payments and will expire on June 30, 2058. The fair value of donated rent to be received under this lease has been estimated at $20,106 per year and is recorded as an unconditional

13. LEASES (Continued)

promise to give, net of present value discount. The related expenses are recorded as grants to Opportunity Village ARC.

In May 2004, the Foundation entered into an agreement with Clark County to lease land, upon which the Foundation constructed 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 to be granted to the Foundation 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 $63,547 per year and has been recorded as an unconditional promise to give, net of present value discount. The related expenses are recorded as grants to Opportunity Village ARC.

Future minimum payments under the operating leases as of June 30, 2014 are as follows:

Fiscal Year Ending June 30,	
2015	$ 1,200
2016	1,200
2017	1,200
2018	1,200
2019	1,200
Thereafter	100,600
	$ 106,600

14. BONDS PAYABLE

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 obligation of the loan repayment is with the Foundation and the related debt is recorded on the books of the Foundation. The funds were restricted for the use of various construction projects. The funds were used to finance the costs of construction of a building located on land leased from Clark County at the intersection of Buffalo and Patrick in Clark County, Nevada. The funds were also used for the renovation and improvement of the Foundation's existing administrative facilities located in the City of Las Vegas, Nevada. The project is being used as administrative headquarters and as employment and training facilities to assist, train and employ intellectually handicapped adults.

No principal payments are due on the bonds until their maturity date of January 1, 2037. The interest rate is a variable rate determined by the bond remarketing agent not to exceed 12%. The overall effective

14. BONDS PAYABLE (Continued)

rate of interest on the bonds for fiscal year 2014 was 0.8%. Attached to the bond is a mandatory letter of credit with a separate bank. This 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 the $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, 2014 the Foundation was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2014.

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

	2014	2013
Clark County, Nevada Variable Rate Demand Economic Development Revenue Bonds	$ 17,000,000	$ 17,600,00

15. 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.

The Foundation and Opportunity Village ARC collectively secured a revolving line of credit for $3,000,000 in June 2014. 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, 2015. No amount was drawn on this credit line as of June 30, 2014.

16. RELATED PARTY TRANSACTIONS

Opportunity Village ARC has historically relied on the Foundation to provide funds to cover 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 was organized as a not-for-profit corporation for the purpose of organizing fundraising events and capital campaigns in order to promote the interest of individuals with intellectual disabilities. This support totaled $1,677,331 and $1,401,403 for the years ended June 30, 2014 and 2013, respectively. The Foundation grant disbursements recognized consists of $434,203 and $1,317,739 in cash grants, and $83,664 and $83,664 in in-kind services and $1,159,464 and $0 in in-kind assets, at June 30, 2014 and 2013, respectively.

Additionally, the Foundation has been granted the right to use the land on which the Oakey Campus and Engelstad Campus were constructed. These land leases are recorded as promises to give of the Foundation. As the campuses were constructed on these parcels of land, Opportunity Village ARC recognized $83,664 in in-kind rent expense for the years ended June 30, 2014 and 2013.

16. RELATED PARTY TRANSACTIONS (Continued)

The Foundation had an amount due from Opportunity Village ARC of $2,549,819 and $74,599 as of June 30, 2014 and 2013, respectively. Intercompany receivables and payables are the result of cash grants provided to Opportunity Village ARC by the Foundation 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 organization and may be forgiven by each organization as necessary. As of June 30, 2014 and 2013, no amounts have been forgiven and management expects the receivable to be collectible in full.

During the years ended June 30, 2014 and 2013, the Foundation transferred assets with a fair market value of $0 and $50,034 to Opportunity Village ARC, respectively. The transfer was used to reduce a portion of the debt owed to Opportunity Village ARC by the Foundation and was not considered part of the grant to Opportunity Village ARC. The Foundation's Board of Directors relinquished all interests in these fixed assets.

The Foundation utilizes Eckelkamp Retirement Planning as an investment broker where an Opportunity Village ARC Board member is President. The investments totaled approximately $24,267,362 and $17,013,372 at June 30, 2014 and 2013, respectively. Fees paid to Eckelkamp Retirement Planning totaled $102,319 and $68,190 for the years ended June 30, 2014 and 2013, respectively.

The Foundation utilizes Northern Trust as an investment broker where a Board member is President. Those investments totaled approximately $26,397,370 and $23,107,386 at June 30, 2014 and 2013, respectively. Fees paid to Northern Trust, including fees associated with the line of credit, totaled $269,036 and $264,573 for the years ended June 30, 2014 and 2013, respectively.

The Foundation purchases various promotional items from Eagle Promotions where an Opportunity Village ARC Board member is President. Amounts paid to Eagle Promotions totaled $101,825 and $78,592 for the years ended June 30, 2014 and 2013, respectively.

Many Board members and their companies financially support a number of fundraising events and provide general and in-kind donations. For the years ended June 30, 2014 and 2013, Board members provided $2,683,265 and $1,013,997 in revenue, representing 16% and 10% of total revenue recognized, respectively. At June 30, 2014 and 2013, the promise to give balance consisted of promises from Board members totaling $25,800 and $44,475, which did not represent a significant percentage of the gross pledge balance as of June 30, 2014 and 2013, respectively.

A Foundation Board member is also a trustee of the Engelstad Family Foundation, who is a major contributor of the Foundation, contributing $2,000,000 and $1,000,000 during the years ended June 30, 2014 and 2013, respectively. Engelstad Family Foundation represented 40% and 18% of total contribution revenue and 13% and 8% of total revenue during the years ended June 30, 2014 and 2013, respectively.

16. RELATED PARTY TRANSACTIONS (Continued)

The Foundation purchases some of its advertising from the Las Vegas Review Journal where a former Board Member and current employee was employed as a Publisher. Those purchases totaled $40,742 for the year ended June 30, 2014.

17. CONDITIONAL PROMISES TO GIVE

In April 2014, the Foundation received a conditional promise to give for $35,000,000. The gift will be paid annually in installments of $5,000,000 to the Foundation on or before December 31st of the following years subject to the Foundation raising cumulative Christopher's Crossing Capital Campaign project funding (pledged or actual) receipts as noted below:

2014	$	5,000,000
2015	$	10,000,000
2016	$	15,000,000
2017	$	20,000,000
2018	$	25,000,000
2019	$	35,000,000
2020	$	50,000,000

In May 2014, the Foundation received a conditional promise to give. Upon the death of the last individual of the estate, the Foundation will receive $10,000,000 from the estate.