

**OPPORTUNITY VILLAGE ARC**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**



**HOULDSWORTH, RUSSO & COMPANY**

8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | [www.trustHRC.com](http://www.trustHRC.com)

**OPPORTUNITY VILLAGE ARC**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Opportunity Village ARC  
Las Vegas, Nevada

We have audited the accompanying financial statements of Opportunity Village Association for Retarded Citizens (a nonprofit organization) ("Opportunity Village ARC"), which comprise the statement of financial position as of June 30, 2019, 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 misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Village ARC as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Opportunity Village ARC's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it was derived.

*Howdsworth, Russo & Company, P.C.*

Las Vegas, Nevada  
November 11, 2019

Certified Public Accountants  
**20 YEARS & COUNTING**

HOULDSWORTH, RUSSO & COMPANY

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## OPPORTUNITY VILLAGE ARC

### STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,269,122	\$ 1,302,187
Cash and cash equivalents, restricted	194,059	157,165
Investments	392,369	489,827
Accounts receivable, net of allowance	3,481,398	3,068,459
Employee receivable, current	924	9,353
Unconditional promises to give, current	75,166	75,166
Inventory	252,646	199,609
Prepaid expenses and other	217,931	162,100
	<u>6,883,615</u>	<u>5,463,866</u>
<b>Property and equipment:</b>		
Land	1,671,898	1,671,898
Buildings and improvements	37,466,881	37,437,081
Furniture, fixtures and equipment	9,464,185	9,062,851
Vehicles	1,430,665	1,478,099
Construction in progress	43,452	-
Accumulated depreciation	<u>(25,874,145)</u>	<u>(23,939,627)</u>
	24,202,936	25,710,302
<b>Other noncurrent assets:</b>		
Deposits and other	32,331	256,169
Employee receivable, long-term	2,000	9,860
Unconditional promises to give, net	2,021,681	2,026,100
Down payment assistance receivable	153,432	203,432
	<u>2,209,444</u>	<u>2,495,561</u>
<b>Total assets</b>	<u>\$ 33,295,995</u>	<u>\$ 33,669,729</u>

See accompanying notes to financial statements

**OPPORTUNITY VILLAGE ARC**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 595,393	\$ 264,849
Accrued expenses	1,148,781	988,645
Deferred income	1,352,354	10,500
Current portion of capital lease obligations	104,508	113,304
	<u>3,201,036</u>	<u>1,377,298</u>
<b>Long-term liabilities:</b>		
Deferred compensation	413,565	499,601
Capital lease obligations	437,447	606,869
Deposits	6,000	6,000
	<u>857,012</u>	<u>1,112,470</u>
	4,058,048	2,489,768
<b>Net assets:</b>		
Without donor restriction	25,369,262	27,210,418
With donor restriction	3,868,685	3,969,543
	<u>29,237,947</u>	<u>31,179,961</u>
<b>Total liabilities and net assets</b>	<u>\$ 33,295,995</u>	<u>\$ 33,669,729</u>

See accompanying notes to financial statements

**OPPORTUNITY VILLAGE ARC**

**STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>Net Assets without donor restrictions</b>		
Revenues, gains and support:		
Government support for services	\$ 10,732,916	\$ 10,479,201
Contributions	1,118,584	1,192,451
Service contracts	8,493,928	7,854,421
Thrift store sales, net	1,649,344	1,066,929
General contract sales	6,198,906	4,603,638
Vehicle sales, net of selling fees	2,779	15,445
Rental income	68,852	83,670
Other	17,691	29,793
Gain on disposal of assets	22,624	2,387
Gain on insurance proceeds	-	290,075
Grants from Opportunity Village Foundation	2,337,513	3,252,857
Release of restrictions	137,752	199,322
Total revenues, gains and support	30,780,889	29,070,189
Expenses and losses:		
Program services:		
Service contracts	8,690,972	8,043,102
Thrift store	2,062,256	1,642,008
Work-training and adult development	16,721,046	14,947,911
Support services:		
Management and general	5,105,656	5,453,696
	32,579,930	30,086,717
Bad debt loss	42,115	19,724
Total expenses and losses	32,622,045	30,106,441
<b>Change in net assets without donor restrictions</b>	(1,841,156)	(1,036,252)
<b>Net assets with donor restrictions</b>		
Contributions	36,894	-
Release of restrictions	(137,752)	(199,322)
<b>Change in net assets with donor restrictions</b>	(100,858)	(199,322)
<b>Decrease in net assets</b>	(1,942,014)	(1,235,574)
<b>Net assets, beginning of year</b>	31,179,961	32,415,535
<b>Net assets, end of year</b>	\$ 29,237,947	\$ 31,179,961

See accompanying notes to financial statements

**OPPORTUNITY VILLAGE ARC**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	Program Services			Support Services			
	Service Contracts	Thrift Store	Work-training and Adult Development	Total Program Services	Management and General	Total 2019	Total 2018
Salaries, taxes and benefits	\$ 4,404,770	\$ 937,882	\$ 10,492,190	\$ 15,834,842	\$ 3,400,887	\$ 19,235,729	\$ 17,518,152
Payments to clients	3,050,618	312,053	1,100,634	4,463,305	222,900	4,686,205	4,412,537
Depreciation and amortization	22,041	47,933	1,767,843	1,837,817	142,776	1,980,593	2,237,798
Subcontracts and consulting	480,461	87,251	504,977	1,072,689	346,832	1,419,521	1,063,689
Utilities and telephone	146,006	112,699	657,451	916,156	125,616	1,041,772	1,000,232
Supplies, training, and development	338,998	48,560	457,522	845,080	94,036	939,116	879,034
Rent	-	189,004	455,983	644,987	95,450	740,437	733,090
Repairs and maintenance	76,975	60,703	359,699	497,377	111,408	608,785	450,685
Contract services, freight, transportation, and logistics	34,612	130,050	684,527	849,189	31,724	880,913	882,059
Professional fees	-	-	-	-	76,674	76,674	80,352
Bank fees and interest	453	53,392	27,994	81,839	10,782	92,621	62,050
Insurance	77,990	17,519	77,409	172,918	37,427	210,345	231,674
Advertising	79	22,475	164	22,718	100	22,818	15,110
Recruitment	23,844	5,260	50,428	79,532	30,035	109,567	99,301
Conferences, travel and meals	6,961	72	9,611	16,644	117,029	133,673	63,288
Dues and subscriptions	4,626	98	13,099	17,823	216,948	234,771	252,743
Uniforms	21,834	416	12,090	34,340	8,610	42,950	22,554
Customer relations	580	53	25,117	25,750	31,885	57,635	32,815
Postage	124	36,836	24,308	61,268	4,537	65,805	49,554
<b>Total expenses</b>	<b>\$ 8,690,972</b>	<b>\$ 2,062,256</b>	<b>\$ 16,721,046</b>	<b>\$ 27,474,274</b>	<b>\$ 5,105,656</b>	<b>\$ 32,579,930</b>	<b>\$ 30,086,717</b>

See accompanying notes to financial statements

**OPPORTUNITY VILLAGE ARC**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>Cash flow from operating activities:</b>		
Decrease in net assets	\$ (1,942,014)	\$ (1,235,574)
Adjustments to reconcile decrease in net assets to net cash:		
Depreciation and amortization expense	1,980,593	2,237,798
(Gain)/loss on disposal of assets	(22,624)	(2,387)
Noncash grants from Opportunity Village Foundation	(1,646,396)	(2,180,653)
Donated assets	-	(6,000)
Bad debt expense	33,283	2,252
Unrealized (gain) loss on investments	97,458	(39,693)
Change in present value discount	(70,747)	(70,892)
Changes in operating assets and liabilities:		
Accounts receivable	(446,222)	(506,253)
Employee receivable	16,289	8,322
Down payment assistance receivable	50,000	25,919
Unconditional promises to give	75,166	75,165
Prepaid expenses and other	(55,831)	183,660
Inventory	(53,037)	(45,727)
Deposits and other	223,838	(229,015)
Accounts payable	330,544	(54,733)
Accrued expenses	160,136	181,777
Deferred compensation	(86,036)	25,033
Deferred income	1,341,854	(9,500)
Due to Opportunity Village Foundation	1,646,396	2,335,852
<b>Net cash provided by operating activities</b>	<b>1,632,650</b>	<b>695,351</b>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of property and equipment	11,899	99,404
Purchase of property and equipment	(536,960)	(92,800)
<b>Net cash provided by (used in) investing activities</b>	<b>(525,061)</b>	<b>6,604</b>
<b>Cash flows from financing activities:</b>		
Payments on capital lease obligations	(103,760)	(116,995)
<b>Net cash used in financing activities</b>	<b>(103,760)</b>	<b>(116,995)</b>
<b>Net increase in cash</b>	<b>1,003,829</b>	<b>584,960</b>
<b>Cash and equivalents, beginning of year</b>	<b>1,459,352</b>	<b>874,392</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 2,463,181</b>	<b>\$ 1,459,352</b>

See accompanying notes to financial statements



**OPPORTUNITY VILLAGE ARC**

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

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	<u>2019</u>	<u>2018</u>
<b>Summary of cash accounts:</b>		
Cash and equivalents	\$ 2,269,122	\$ 1,302,187
Cash and equivalents, restricted	194,059	157,165
	<u>\$ 2,463,181</u>	<u>\$ 1,459,352</u>
<b>Supplemental disclosures:</b>		
Assets acquired through capital lease obligations	\$ -	\$ 792,628
Imputed interest on capital lease obligations	\$ 14,489	\$ 15,639

See accompanying notes to financial statements

## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

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

The following is a summary of significant accounting policies:

##### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

##### Basis of Presentation

Opportunity Village ARC presents its financial statements in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under the FASB ASC, Opportunity Village ARC is required to report information regarding its financial position and changes in financial position activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The prior year comparative information has been summarized as derived from the prior year audited financial statements.

##### Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates. Significant estimates include the functional allocation of expenses and the useful lives of depreciated assets.

##### Cash and Cash Equivalents

Cash and cash equivalents are highly-liquid investments with an initial maturity of three months or less and are stated at the lower of cost or market value. Opportunity Village ARC has concentrated its custodial credit risk by maintaining deposits in financial institutions which at most times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The loss would represent the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance. Opportunity Village ARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

##### Inventory

Inventory consists of items used in the Employment Training Center and donated thrift store goods and is stated at the lower of cost or net realizable value, if purchased, and approximate fair value at the date of donation, if donated. Costs are determined using the first-in, first-out method.

## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Accounts Receivable

Accounts receivable result from contracts for the services of Opportunity Village ARC clients, including contracts with the government, and are shown net of allowance. Management reviews accounts receivable balances to determine if an allowance for doubtful accounts is necessary. At June 30, 2019 and 2018, the allowance for doubtful accounts was \$78,707 and \$45,424, respectively. All amounts recorded are expected to be received within one year. As of June 30, 2019 and 2018, 35% and 28%, respectively, of the balance was due from one customer.

##### Impairment of Long-Lived Assets

Opportunity Village ARC follows the provisions of the FASB ASC, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. Opportunity Village ARC believes that no adjustment for impairment is necessary at June 30, 2019 and 2018.

##### Property and Equipment

Opportunity Village ARC capitalizes all expenditures for property and equipment in excess of \$2,500 and with a useful life of greater than one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Costs associated with the acquisition, development, and construction of a project are capitalized as construction in progress and are not depreciated until placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the associated assets. The useful lives are estimated as follows:

- 3 to 5 years for vehicles;
- 3 to 10 years for furniture, fixtures and equipment;
- 5 to 47 years for buildings and improvements.

##### Comparative Financial Information and Reclassifications

The statement of functional expenses includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the FASB ASC. Accordingly, such information should be read in conjunction with Opportunity Village ARC's financial statements for the year ended June 30, 2018, from which the summarized information was derived. Additionally, certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Revenue Recognition

Opportunity Village ARC accounts for contributions in accordance with the FASB ASC. Accordingly, contributions are recognized as revenue when they are received or unconditionally pledged at their estimated net realizable value. Contributions received are recorded as increases in net assets with or without restrictions, depending on the existence or absence, respectively, of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Opportunity Village ARC receives a substantial amount of donated clothing and furniture that is sold through its thrift store outlet. Assets unconditionally donated and retained by Opportunity Village ARC are recorded at fair value on the date of donation. Thrift store sales are shown net of markdowns.

Government support is obtained from various government agencies. Revenue is recorded in the same period as the costs are incurred. Service contracts are obtained from various public and private agencies throughout the community. Revenue is recorded in the same period as the costs are incurred.

##### Services Expense Allocation

Opportunity Village ARC provides management services, facilities maintenance, and custodial services to the Opportunity Village Foundation (“Foundation”), a not-for-profit organization organized to raise, invest, and distribute funds to promote the interests of persons with intellectual disabilities and to promote capital campaign drives, under an annual agreement. For the years ended June 30, 2019 and 2018, costs allocated to Foundation under this agreement were \$1,356,562 and \$965,929, respectively. These expenses are excluded from the statement of functional expenses.

##### Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All allocated costs were directly allocated by function based on the nature of the expense.

## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Donated Services

Donated services are recognized as contributions in accordance with the FASB ASC, if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Opportunity Village ARC.

##### Advertising

Opportunity Village ARC expensed all advertising costs as they were incurred.

##### New Accounting Pronouncement

During the year ended June 30, 2019, Opportunity Village ARC adopted FASB ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which changes the current guidance for asset classification, investment return, expenses, and liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. In the absence of explicit donor restrictions, ASU 2016-14 requires nonprofit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by nonprofit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires nonprofit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Opportunity Village ARC has chosen not to disclose liquidity and availability information as of June 30, 2018, as permitted in the year of adoption. As a result of adoption, investment expenses are netted against investment return in the statement of activities, presentation of net asset classes were changed, and footnote disclosures were expanded. Prior year amounts were reclassified to conform to the current year presentation.

##### Income Tax Status

Opportunity Village ARC is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code. In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. In accordance with the accounting standards, management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to six years.

##### Subsequent Events

Subsequent events have been evaluated through November 11, 2019, which is the date the financial statements were available to be issued.

## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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#### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Opportunity Village ARC receives program and contribution revenues, and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. Opportunity Village ARC manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Opportunity Village ARC's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	\$ 2,441,986
Accounts receivable, net of allowance	3,481,398
Employee receivable, current	<u>924</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,924,308</u>

To help manage unanticipated liquidity needs, the Opportunity Village ARC has a committed line of credit in the amount of \$3,000,000 which it could draw upon (Note 10). Additionally, as discussed in Note 10, the Opportunity Village ARC is required to meet certain covenants related to bonds payable.

#### 3. INVESTMENTS AND FAIR VALUE

Investments consist of the following:

	As of June 30,	
	2019	2018
Equity mutual funds	\$ 200,550	\$ 227,432
Equity securities	191,819	262,395
Total investments	<u>\$ 392,369</u>	<u>\$ 489,827</u>

Investment holdings at June 30, 2019 and 2018 were carried at fair value. Fair value is identified as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: "Level 1" inputs, such as quoted prices in an active market for identical assets or liabilities; "Level 2" inputs, which are observable inputs for similar assets; or "Level 3" inputs, which are unobservable inputs.

**OPPORTUNITY VILLAGE ARC**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**3. INVESTMENTS AND FAIR VALUE (CONTINUED)**

Investment balances at June 30, 2019 and 2018 were valued using Level 1 inputs:

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2019				
Equity mutual funds	\$ 200,550	\$ -	\$ -	\$ 200,550
Equity securities	191,819	-	-	191,819
Total investments	<u>\$ 392,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,369</u>
	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2018				
Equity mutual funds	\$ 227,432	\$ -	\$ -	\$ 227,432
Equity securities	262,395	-	-	262,395
Total investments	<u>\$ 489,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,827</u>

**4. UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

	As of June 30,	
	2019	2018
Land lease (1)	<u>\$ 6,288,870</u>	<u>\$ 6,364,036</u>
Receivable in less than one year	\$ 75,166	\$ 75,166
Receivable in one to five years	375,829	375,829
Receivable in more than five years	5,837,875	5,913,041
Total unconditional promises to give	6,288,870	6,364,036
Less: unamortized discount (2)	4,192,023	4,262,770
Net unconditional promises to give	2,096,847	2,101,266
Less: current portion	75,166	75,166
Net long-term unconditional promises to give	<u>\$ 2,021,681</u>	<u>\$ 2,026,100</u>

- (1) This land lease, with a term of 89 years, is intended to be used for a future residential housing project. For further details, see lease description in Note 8.
- (2) Unconditional promises to give are recorded at the present value of the estimated fair value of the land parcels using a discount rate of 4.0%. Amounts are recorded as net assets with donor restrictions until released from restriction.

**5. DOWN PAYMENT ASSISTANCE RECEIVABLE**

Opportunity Village ARC received grant funding during the year ended June 30, 2002 to offer a down payment assistance loan program for clients to purchase a primary residence. Clients could receive a loan of up to \$25,000 for down payment assistance for a personal and primary residence. Under the grant agreement, the clients must repay the loan upon the sale of the residence.

**OPPORTUNITY VILLAGE ARC**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**6. DEFERRED COMPENSATION**

Opportunity Village ARC has deferred compensation agreements with select employees of the organization. As of June 30, 2019, one employee had a deferred compensation agreement requiring \$17,500 and one had a deferred compensation agreement requiring \$14,000 in employer contributions each fiscal year during the continuance of the employees' employment. The employees are fully vested in all funds placed in the deferred compensation account, including all investment income and losses. The fully vested amount, including the accumulated investment income or losses, will be distributed to the employees (or beneficiaries) at the employees' departure, disability, or death based on the payout structure of the contract. During the year ended June 30, 2018, one such employee retired from employment with Opportunity Village ARC and has made withdrawals according to the payout structure of the contract.

**7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes and periods:

	As of June 30,	
	2019	2018
Subject to expenditure for a specific purpose:		
Job Discovery program	\$ 12,445	\$ -
Very Important Arts program	181,614	157,165
	<u>194,059</u>	<u>157,165</u>
Subject to the passage of time:		
Residential land lease	2,096,847	2,101,266
Lifetime learning park (Sean's Park)	1,577,779	1,711,112
Total net assets with donor restrictions	<u>\$ 3,868,685</u>	<u>\$ 3,969,543</u>

Net assets with donor restrictions were held as follows:

	As of June 30,	
	2019	2018
Cash and cash equivalents	\$ 194,059	\$ 157,165
Unconditional promises to give	2,096,847	2,101,266
Property and equipment	1,577,779	1,711,112
Total net assets with donor restrictions	<u>\$ 3,868,685</u>	<u>\$ 3,969,543</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	Years Ended June 30,	
	2019	2018
Satisfaction of purpose restrictions:		
Job Discovery program	\$ -	\$ 28,947
Very Important Arts program	-	32,769
	<u>-</u>	<u>61,716</u>
Expiration of time restrictions:		
Residential land lease	4,419	4,273
Lifetime learning park (Sean's Park)	133,333	133,333
Total net assets released from donor restrictions	<u>\$ 137,752</u>	<u>\$ 199,322</u>



## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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#### 8. LEASES

*Capital Leases:* Opportunity Village ARC leases assets under long-term agreements that are classified as capital leases. Amortization related to these assets is included in depreciation expense. Assets under capital lease obligations included in property and equipment are as follows:

	As of June 30,	
	2019	2018
Office equipment	\$ 114,908	\$ 135,871
Vehicles	593,006	677,721
	707,914	813,592
Less: accumulated amortization	(166,088)	(66,460)
Total assets under capital lease obligations	<u>\$ 541,826</u>	<u>\$ 747,132</u>

Future minimum lease payments under these capital lease obligations are:

Fiscal year ending June 30,	
2020	\$ 117,108
2021	117,108
2022	117,108
2023	110,931
2024	92,400
Thereafter	23,100
	<u>577,755</u>
Less: amount representing interest	(35,800)
Less: current portion	(104,508)
Long-term capital lease obligations	<u>\$ 437,447</u>

*Operating Leases:* Opportunity Village ARC leases assets and equipment under long-term agreements that are classified as operating leases. The expense incurred under these leases for the years ended June 30, 2019 and 2018 was \$716,379 and \$650,678, respectively.

Future minimum payments under these operating leases are:

Fiscal year ending June 30,	
2020	\$ 442,801
2021	357,733
2022	157,503
	<u>\$ 958,037</u>

*Land Leases:* In March 2014, Opportunity Village ARC entered into an agreement with Clark County to lease two parcels of land to be used for the construction, operation, and maintenance of Betty's Village, a residential housing program. The term of the land lease is for 89 years with annual rental payments of \$1,200 and will expire on February 28, 2103. The fair value of donated rent to be received under this lease has been estimated at \$75,166 per year and has been recorded as an unconditional promise to give, net of present value discount on the books of Opportunity Village ARC.

## **OPPORTUNITY VILLAGE ARC**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018**

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#### **8. LEASES (CONTINUED)**

In July 2010, Opportunity Village ARC entered into an agreement to lease land adjacent to the Walters Family Campus, located in Henderson, Nevada. The term of the land lease is for an indefinite amount of time with a base rent of \$1 per month. The fair value of donated rent to be received under this lease has been estimated at \$68,137 per year, which is recorded as an in-kind operating expense as the lease does not have a maturity date.

In November 1990, the Foundation entered into an agreement with the State of Nevada to lease land, upon which the Foundation constructed a campus to serve people with disabilities, known as the “Oakey Campus”, which building was donated to Opportunity Village ARC. The term of the land lease was amended in July 2009 to 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 \$20,041 per year and is recorded as an unconditional promise to give, net of present value discount on the books of the Foundation. The related expenses are recorded as grants to Opportunity Village ARC. As the Foundation is the lessee under this agreement, the land is not recorded by Opportunity Village ARC, however the Oakey Campus is constructed on this land, and the buildings associated with the Oakey Campus are recorded as assets of Opportunity Village ARC.

In May 2004, the Foundation entered into an agreement with Clark County to lease land, upon which the Foundation constructed a campus to serve people with disabilities, known as the “Engelstad Campus”, which was completed and donated to Opportunity Village ARC in October 2009. The term of the land lease was amended in September 2006 for 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 \$63,933 per year and has been recorded as an unconditional promise to give, net of present value discount, on the books of the Foundation. The related expenses are recorded as grants to Opportunity Village ARC. As the Foundation is the lessee under this agreement, the land is not recorded by Opportunity Village ARC, however the Engelstad Campus is constructed on this land, and the buildings associated with the Engelstad Campus are recorded as assets of Opportunity Village ARC.

#### **9. RETIREMENT PLAN**

Opportunity Village ARC has a 403(b) plan that covers all employees meeting certain eligibility requirements into which employees may make contributions on a pre-tax basis. The annual matching contribution is discretionary as determined by the Board of Directors. During the years ended June 30, 2019 and 2018, Opportunity Village ARC matched 50% of employees’ contributions to the plan, up to \$2,000 per year. Employer matched contributions to the retirement plan for the years ended June 30, 2019 and 2018 were \$110,202 and \$103,537, respectively.

## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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#### 9. RETIREMENT PLAN (CONTINUED)

Opportunity Village ARC provides services under several AbilityOne federal contracts, which are subject to the McNamara-O'Hara Service Contract Act of 1965 (the "Service Contract Act"), as amended. The Service Contract Act requires that a contractor pay no less than applicable direct labor wages and provide certain fringe benefits in accordance with geographically specific Wage Determinations issued on no less than an annual basis by the Department of Labor. One of the Service Contract Act's fringe benefits is the provision of Health and Welfare funds. The Health and Welfare rate is paid per hour up to 40 hours in a week or 2,080 hours in a year. To comply with the fringe benefit requirement for Health and Welfare, an employer must calculate and track the Health and Welfare benefit due to each employee subject to the Act and discharge the obligation in one of two ways: 1) apply the funds to a bona fide benefits program for the employee or 2) pay the benefit in cash to the employee on their regular pay day. Health and Welfare funds paid to an employee in cash must be tracked and recorded separate from wages. Opportunity Village ARC has elected to offer employees subject to the Service Contract Act the opportunity to participate in the bona fide health insurance benefit. Health and Welfare funds are applied to the employee's premium for participation in the health plan. In the event that the Health and Welfare funds exceed the premium due, the remainder is applied to a retirement account for the employee, also a bona fide benefit. In the event of a shortfall in the Health and Welfare funds and the premium due, the remainder is then requested from the employee. Employees may elect to waive the health insurance benefit. Should an employee waive health insurance benefits, 100% of the Health and Welfare funds due are applied to their retirement account. Employer contributions to the retirement plan in addition to the matched contributions stated above for the years ended June 30, 2019 and 2018 were \$326,234 and \$366,906, respectively.

#### 10. COMMITMENTS AND CONTINGENCIES

*Revenue Bonds:* In January 2007, Opportunity Village ARC and the Foundation entered into an agreement to borrow funds from the proceeds of the sale of bonds issued by Clark County, Nevada. The Variable Rate Demand Economic Development Revenue Bonds (Opportunity Village ARC Foundation Project) Series 2007 were issued in the amount of \$24,275,000. The debt is recorded on the books of the Foundation as the Foundation has the obligation for repayment. The funds were restricted to various construction projects and were used to finance the costs of construction of the Engelstad Campus and the renovation and improvement of the administrative facilities located at the Oakey Campus.

No principal payments are due on the bonds until their maturity date of January 1, 2037. Interest only payments are due monthly, and the variable interest rate is determined by the bond remarketing agent not to exceed 12%. The overall effective rate of interest on the bonds for fiscal year 2019 was 1.65%.

Attached to the bond is a mandatory letter of credit with a separate bank, which is the only collateral for the bonds. The letter of credit is in the amount of the bond proceeds plus 39 days accrued interest. The original letter of credit was replaced with a subsequent letter of credit effective February 10, 2011, which expires February 2020. The subsequent letter of credit of \$14,078,225 consists of \$13,900,000 principal plus \$178,225, 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, Opportunity Village ARC, combined with the Foundation, 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, 2019,

## OPPORTUNITY VILLAGE ARC

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2019 AND 2018

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#### 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Opportunity Village ARC was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2019.

*Line of credit:* The Foundation and Opportunity Village ARC collectively secure a \$3,000,000 revolving line of credit. Advances on the credit line are payable on demand and carry an interest rate equal to the prime rate plus 3.25%. The credit line is unsecured and expires on February 13, 2020. No amount was drawn on this credit line as of June 30, 2019 and 2018.

Opportunity Village ARC may become involved in legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Opportunity Village ARC's financial position, results of operations, or liquidity.

#### 11. RELATED PARTIES

Opportunity Village ARC has historically relied on the Foundation to provide grants and cash to cover operational shortfalls. However, Opportunity Village ARC is independent for financial reporting purposes as the entities are not under common control. The Foundation transferred cash balances totaling \$4,000,000 and \$4,700,000 for the years ended June 30, 2019 and 2018, respectively, to Opportunity Village ARC to cover operating shortfalls.

Opportunity Village ARC recognized grant income from the Foundation totaling \$2,337,513 and \$3,252,857 for the years ended June 30, 2019 and 2018, respectively. Included are the following items.

	For the year ended June 30,	
	2019	2018
Scholarships	\$ 23,811	\$ 26,360
Donations and interest income related to programs	239,136	334,350
In-kind rent (1)	85,174	85,174
Forgiveness of debt due to Foundation (2)	1,646,396	2,180,653
Capacity building	342,996	626,320
Total grant income from the Foundation	<u>\$ 2,337,513</u>	<u>\$ 3,252,857</u>

- (1) The Foundation has been granted by Clark County the right to use the land on which the Oakey Campus and Engelstad Campus were constructed. The land leases are recorded as unconditional promises to give by the Foundation. For additional information, see Note 8. As the assets and buildings of the Oakey Campus and Engelstad Campus are owned by Opportunity Village ARC, Opportunity Village ARC recognized \$85,174 and \$85,174 in in-kind rent expense for the years ended June 30, 2019 and 2018, respectively.
- (2) Opportunity Village ARC had an amount due to the Foundation of \$0 as of June 30, 2019 and 2018. Opportunity Village ARC had an amount due from the Foundation of \$0 as of June 30, 2019 and 2018. Related-party receivables and payables are the result of cash payments by the Foundation to Opportunity Village ARC for management services as described in Note 1, transfers of cash to cover operational shortfalls, and transfers of property and equipment. These balances are monitored by the Board of Directors of each respective organization and may be forgiven by each organization as necessary.

Opportunity Village ARC utilizes Morrissey Insurance as a broker for employee health and life insurance, where a Foundation board member is the owner. Commissions paid to Morrissey Insurance totaled \$94,032 and \$84,417 for the years ended June 30, 2019 and 2018, respectively.