OPPORTUNITY VILLAGE

FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

HOULDSWORTH
RUSSO & COMPANY
Certified Public Accountants

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, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Las Vegas, Nevada
September 18, 2015

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,952,009	$ 6,345,043
Investments	45,725,082	42,999,719
Due from Opportunity Village ARC	452,205	2,549,819
Unconditional promises to give, net, current	8,069,427	2,556,703
Notes receivable, current	5,137	4,977
Other receivables	2,000	4,000
Prepaid expenses	8,724	29,798
Supplies inventory	47,843	79,049
	81,262,427	54,569,108
Property and equipment:		
Vehicles	28,663	28,663
Buildings and improvements	633,975	889,154
Furniture, fixtures, and equipment	2,173,615	1,946,321
Construction in progress	176,794	570,898
Accumulated depreciation	(1,802,354)	(1,992,002)
	1,210,693	1,443,034
Other noncurrent assets:		
Investments, permanently restricted	7,375,837	7,308,337
Land held for investment	51,000	51,000
Deposits	60,219	60,219
Deferred bond issuance costs, net	290,294	303,744
Ownership interest in Roberts Boulder, LLC	212,664	240,000
Other noncurrent assets	233,906	212,820
Unconditional promises to give, net	28,622,744	1,947,342
Notes receivable, net	111,032	116,089
	36,957,696	10,239,551
	$ 119,430,816	$ 66,251,693

OPPORTUNITY VILLAGE FOUNDATION

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

	2015	2014
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 22,500	$ 6,264
Accrued expenses	251,104	120,278
Deferred income	100,150	134,341
	373,754	260,883
Long-term liabilities:		
Deferred compensation	208,352	174,697
Long-term debt	16,400,000	17,000,000
	16,608,352	17,174,697
Total liabilities	16,982,106	17,435,580
Net assets:		
Unrestricted	42,968,392	27,865,112
Temporarily restricted	52,104,481	13,642,664
Permanently restricted	7,375,837	7,308,337
	102,448,710	48,816,113
	$ 119,430,816	$ 66,251,693

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Changes in unrestricted net assets		
Revenues, gains and support:		
Organization and individual contributions	$ 13,744,168	$ 828,042
Other revenues:		
Fundraising revenues, less direct expenses of $756,608 and $1,664,216, respectively	3,907,756	4,030,392
Interest revenue	2,372,791	1,366,507
Gain on investments	-	5,330,498
Net assets released from restriction due to satisfaction of program and time restrictions	3,340,716	675,978
	9,621,263	11,403,375
	23,365,431	12,231,417
Expenses and losses:		
Program	3,552,930	1,677,331
Support services:		
Fundraising	2,761,302	2,287,178
Management and general	1,412,285	969,608
Loss on disposal of property and equipment	-	490
Loss on investments	535,634	-
	8,262,151	4,934,607
Increase in unrestricted net assets	15,103,280	7,296,810
Changes in temporarily restricted net assets		
Revenues, gains, and support:		
Organization and individual contributions	987,326	3,941,607
Contributions to capital campaign	40,735,780	218,886
Interest revenue	146,927	139,694
Net assets released from restriction due to satisfaction of program and time restrictions	(3,340,716)	(675,978)
Net assets transferred to permanently restricted net assets	(67,500)	(30,000)
Increase in temporarily restricted net assets	38,461,817	3,594,209

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

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

	2015	2014
Change in permanently restricted net assets		
Net assets transferred to permanently restricted net assets	67,500	30,000
Increase in permanently restricted net assets	67,500	30,000
Increase in net assets	53,632,597	10,921,019
Net assets, beginning of year	48,816,113	37,895,094
Net assets, end of year	$ 102,448,710	$ 48,816,113

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

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

		Support Services			
	Program	Fundraising	Management and General	2015 Total	2014 Total
Grants to Opportunity Village ARC	$ 3,552,930	$ -	$ -	$ 3,552,930	$ 1,677,331
Salaries, taxes and benefits	-	1,809,707	639,011	2,448,718	1,678,711
Bank and credit card fees	-	-	93,453	93,453	75,949
Interest and bond expenses	-	-	187,981	187,981	187,155
Occupancy	-	194,322	-	194,322	123,730
Bad debt	-	-	151,099	151,099	44,596
Depreciation and amortization	-	281,111	13,450	294,561	309,502
Insurance	-	47,842	-	47,842	53,012
Transportation	-	12,303	-	12,303	8,556
Supplies	-	189,118	-	189,118	110,882
Advertising	-	53,293	-	53,293	117,889
Telephone	-	30,742	-	30,742	40,015
Conferences, travel and meals	-	36,599	-	36,599	41,169
Repairs and maintenance	-	17,225	-	17,225	27,771
Professional fees	-	-	59,420	59,420	21,600
Subcontracts and consulting	-	75,964	264,258	340,222	369,272
Miscellaneous	-	13,076	3,613	16,689	46,977
Total	$ 3,552,930	$ 2,761,302	$ 1,412,285	$ 7,726,517	$ 4,934,117

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

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

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 53,632,597	$ 10,921,019
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	294,561	309,502
Change in net present value discount on pledges	1,477,377	(96,407)
Forgiveness of amount due from Opportunity Village ARC	1,300,000	-
Bad debt expense	139,618	44,596
Donated expenses	83,664	-
Unrealized (gain) loss on investments	(36,527)	(5,330,498)
Fixed assets donated to Opportunity Village ARC	-	1,159,464
Donated fixed assets	-	(27,755)
Donated investments	-	(162,500)
Other	(1,239)	2,490
Changes in operating assets and liabilities:		
Unconditional promises to give	(40,741,919)	442,690
Due from Opportunity Village ARC	165,033	(2,475,220)
Prepaid expenses and other assets	52,280	(19,233)
Accounts payable	273	(160,693)
Accrued and other expenses	96,634	75,272
Net cash provided by operating activities	16,462,352	4,682,727
Cash flows from investing activities:		
Purchases of fixed assets	(571,620)	(449,415)
Net payments for investments	(1,545,036)	(5,190,975)
Payments on notes receivable	8,136	27,314
Payments on leases receivable	-	2,525
Net cash used in investing activities	(2,108,520)	(5,610,551)

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

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

	2015	2014
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowments	67,500	-
Investments in capital campaign and other programs	6,785,634	-
Principal payments on long term debt	(600,000)	(600,000)
Net cash provided by (used in) financing activities	6,253,134	(600,000)
Net increase (decrease) in cash and cash equivalents	20,606,966	(1,527,824)
Cash and cash equivalents, beginning of year	6,345,043	7,872,867
Cash and cash equivalents, end of year	$ 26,952,009	$ 6,345,043
Supplemental information:		
Cash paid for interest	$ 7,964	$ 15,624
Assets purchased with accounts payable	$ 15,964	$ -

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 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, such as the Magical Forest, among others.

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 the Financial Accounting Standards Board (FASB) Codification. Under the 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.

Use of Estimates

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

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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at market value in accordance with the 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 the FASB Codification. For further information on investments, see Note 2.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give are recorded at the net present value of estimated future cash flows. 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, 2015 and 2014 was $145,418 and $314,375, respectively. For further information regarding unconditional promises to give, see Note 11.

Supplies Inventory

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

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 the FASB Codification, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. The Foundation believes that no adjustment for impairment is necessary at June 30, 2015 and 2014.

Deferred Income

Deferred income 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the associated assets. The useful lives are estimated as follows:

- 3 to 5 years for automobiles
- 3 to 15 years for furniture and equipment
- 5 to 30 years for buildings and improvements.

Revenue Recognition

The Foundation accounts for contributions in accordance with the 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 fundraising revenue recognized on the statements of activities as of June 30, 2015 and 2014 was $4,664,364 and $5,694,608, respectively.

Unrestricted contributions are reported as increases in unrestricted net assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Foundation had three contributions from three donors during the year that represented 94% of contribution revenue and 84% of total revenue recognized during the year ended June 30, 2015.

Donated Assets

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

Donated Services

Donated services are recognized as contributions in accordance with the 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.

Advertising Expense

The Foundation expensed all of its advertising costs as they were incurred. Advertising costs totaled $230,289 and $1,028,639 during the year ended June 30, 2015 and 2014, respectively.

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. Some management and general expenses are allocated from Opportunity Village Association for Retarded Citizens ("Opportunity Village ARC"), a not-for-profit organization operated to assist and train adults with intellectual disabilities through vocational training, employment, and similarly organized activities. Opportunity Village ARC provides management-type services to the Foundation under an annual agreement, under which Opportunity Village ARC charges a fee based on salary allocations and estimated costs to provide facilities maintenance and custodial services to the Foundation. For the years ended June 30, 2015 and 2014, management and general expenses of $709,489 and $471,132, respectively, were allocated to the Foundation from Opportunity Village ARC.

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 FASB Codification, 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.

Comparative Financial Information and Reclassifications

The statement of functional expenses includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the FASB Codification. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Additionally, certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

Subsequent Events

Subsequent events have been evaluated through September 18, 2015, which is the date the financial statements were available to be issued.

2. INVESTMENTS

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Real estate investments without readily determinable fair values are stated at cost. Real Estate Investment Trusts (REITs) are stated at fair value as determined by the fund investment manager, as fair value is not readily determinable in open markets. For further information, see description of fair value measurements in Note 3. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Fees related to the investment accounts totaled $231,356 and $225,992 for the years ended June 30, 2015 and 2014, respectively.

Investments consist of the following:

	As of June 30, 2015	2014
Corporate bonds and bond funds	$ 9,731,088	$ 9,184,340
Mutual funds	26,600,225	21,706,764
Equity securities	15,803,020	17,963,141
Real estate investment trusts	966,586	1,453,811
Ownership interest in Roberts Boulder, LLC	212,664	240,000
Total	53,313,583	50,548,056
Less: current maturities	(45,725,082)	(42,999,719)
Total long-term investments	$ 7,588,501	$ 7,548,337

The Foundation also holds land for investment, valued at its original donation value of $51,000 as of both June 30, 2015 and 2014.

3. FAIR VALUE MEASUREMENTS

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.

The Foundation’s investment assets are held at fair value. No liabilities are held at fair value.

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2015				
Trading securities	$ 52,134,333	$ -	$ -	$52,134,333
Real estate investment trusts	-	966,586	-	966,586
Ownership interest in Roberts Boulder, LLC	-	-	212,664	212,664
Total	$ 52,134,333	$ 966,586	$ 212,664	$53,313,583

3. FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total Fair Value
As of 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

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, 2015	2014
Beginning balance	$ 240,000	$ 234,626
Unrealized gain/(loss) on investment	(27,336)	5,374
Ending balance	$ 212,664	$ 240,000

4. NOTES RECEIVABLE

Interest income on 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.

	As of June 30, 2015	2014
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	$ 23,155
Dean Court property in Henderson, Nevada, secured by deed of trust, monthly payments of $336 at 5% interest, matures February 2023.	34,619	36,552
Dean Court property in Henderson, Nevada, secured by deed of trust, monthly payments of $400 at 2% interest, matures November 2036.	81,550	84,514
Total	$ 139,324	$ 144,221
Less: allowance for doubtful accounts	(23,155)	(23,155)
Net notes receivable	116,169	121,066
Less: current portion	(5,137)	(4,977)
Total net long-term notes receivable	$ 111,032	$ 116,089

4. NOTES RECEIVABLE (CONTINUED)

Contractual maturities of notes receivable at June 30, 2015 are as follows:

Fiscal year ending June 30,		
2016	$	5,137
2017		5,302
2018		5,473
2019		5,651
2020		5,837
Thereafter		111,924
	$	139,324

5. 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, 2015 and 2014:

	For the year ended June 30,			
	2015		2014	
Advertising	$	191,477	$	910,750
Professional fees		147,790		177,383
Entertainment		5,500		2,600
Total donated services		344,767		1,090,733
Donated goods		208,717		270,292
Total in-kind contributions	$	553,484	$	1,361,025

6. DEFERRED BOND ISSUANCE COSTS

Deferred bond issuance costs consist of the following:

	For the year ended June 30,			
	2015		2014	
Deferred bond issuance costs	$	587,669	$	587,669
Less: accumulated amortization		(297,375)		(283,925)
	$	290,294	$	303,744

Amortization expense was $13,450 and $54,377 for the years ended June 30, 2015 and 2014, respectively.

6. DEFERRED BOND ISSUANCE COSTS (CONTINUED)

Future estimated amortization for deferred bond issuance costs are expected to be $13,450 annually, totaling $290,294.

7. NATURE AND AMOUNT OF NET ASSETS

Temporarily restricted net assets represent contributions and other inflows of assets where use is limited by donor-imposed stipulations. These stipulations either expire by the passage of time or are fulfilled and removed by actions of the Foundation. Permanently restricted net assets represent contributions and other inflows of assets where use is limited by donor-imposed stipulations in perpetuity. Income generated from permanently-restricted investments is available to support varying activities of the Foundation.

Temporarily restricted net assets are available for the following purposes.

	As of June 30,	
	2015	2014
Capital campaign	$ 44,647,494	$ 5,163,615
Land leases	2,107,248	1,769,468
Recreation programs	1,736,523	1,789,015
Life-learning park	1,405,505	1,406,035
Land for campus expansion	835,000	835,000
Scholarships	610,720	656,059
Time restricted	391,007	674,484
Magical Forest	357,130	470,000
Various donor-restricted programs	13,854	534,130
Arts and enrichment programs	-	171,084
Job discovery program	-	173,774
	$ 52,104,481	$ 13,642,664

The temporarily restricted net assets are held in the following assets:

	As of June 30,	
	2015	2014
Investments	$ 15,412,310	$ 9,138,619
Unconditional promises to give, net	36,692,171	4,504,045
	$ 52,104,481	$ 13,642,664

7. NATURE AND AMOUNT OF NET ASSETS (CONTINUED)

Permanently restricted net assets are held as cash and investments, restricted as follows. Income earned from these investments is similarly restricted, unless otherwise noted. See further discussion Note 8.

	As of June 30,	
	2015	2014
Lied Foundation Endowment (1)	$ 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	597,500	530,000
Forrest Endowment (1)	399,249	399,249
Total permanently restricted net assets	$ 7,375,837	$ 7,308,337

(1) Earnings from these endowments are unrestricted.

8. ENDOWMENTS

Endowment funds include permanently restricted donor funds, as detailed in Note 7, and Board-designated funds for operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-restricted and Board-designated restrictions. The Foundation's endowment funds consist of the following assets:

	As of June 30,	
	2015	2014
Cash and cash equivalents, unrestricted	$ 209,776	$ 95,165
Investments	7,327,583	8,492,343
Total	$ 7,537,359	$ 8,587,508

Interpretation of Relevant Law: The Board of Directors of the Foundation has interpreted Nevada state law 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 is classified as temporarily restricted net assets in the donor-restricted endowment accounts until those amounts are appropriated for expenditure 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:

8. ENDOWMENTS (CONTINUED)

(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, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 7,375,837	$ 7,375,837
Board-designated endowment funds	161,522	-	-	161,522
Total	$ 161,522	$ -	$ 7,375,837	$ 7,537,359

Changes in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,279,171	$ -	$ 7,308,337	$ 8,587,508
Investment return:				
Investment income	201,424	146,927	-	348,351
Net depreciation (realized and unrealized)	(635,861)	(297,334)	-	(933,195)
Total investment return	(434,437)	(150,407)	-	(584,844)
Contributions – Donor restricted	-	-	67,500	67,500
Contributions – Board designated	-	150,407	-	150,407
Transfer of unrestricted endowment assets	(532,805)	-	-	(532,805)
Appropriation of endowment assets for expenditure	(150,407)	-	-	(150,407)
Endowment net assets, end of year	$ 161,522	$ -	$ 7,375,837	$ 7,537,359

8. ENDOWMENTS (CONTINUED)

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

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 restricted	-	-	30,000	30,000
Contributions – Board designated	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

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, 2015 and 2014.

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 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.

8. ENDOWMENTS (CONTINUED)

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 ARC. In establishing this policy, the Foundation considers 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.

9. DEFERRED COMPENSATION

As of June 30, 2015, the Foundation had a deferred compensation agreement with one key employee requiring $14,000 in employer contributions each fiscal year during the continuance of the employee's employment. The employee is 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 employee or beneficiary at the employee's departure, disability or death based on the payout structure of the contract. As of June 30, 2015 and 2014, the Board has designated $208,352 and $174,697, respectively, of unrestricted investments to pay the deferred compensation liability when it comes due.

10. 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 secure a $3,000,000 revolving line of credit. Advances on the credit line are payable on demand and carry a default interest rate equal to the prime rate plus 3%. The credit line is unsecured and expires on June 2, 2016. No amount was drawn on this credit line as of June 30, 2015.

11. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded at the net present value of estimated future cash flows using discount rates ranging between 0.88% and 4%. Amounts are recorded as temporarily restricted net assets until released from restriction. Unconditional promises to give consist of the following.

	As of June 30,	
	2015	2014
Unconditional promises to give for:		
Capital Campaign	$ 34,570,482	$ 600,000
Scholarships	250,000	50,000
Magical Forest	402,500	470,000
Land	835,000	835,000
Other	441,685	1,060,394
Oakey Campus land lease (See Note 12)	861,842	849,564
Engelstad Campus land lease (See Note 12)	5,719,250	5,719,254
Total unconditional promises to give	$ 43,080,759	$ 9,584,212
Receivable in less than one year	$ 8,069,427	$ 980,706
Receivable in one to five years	24,196,866	1,710,611
Receivable in more than five years	10,814,466	6,892,895
Total unconditional promises to give	$ 43,080,759	$ 9,584,212
Less: unamortized discount	(6,243,170)	(4,765,792)
Less: allowance for doubtful accounts	(145,418)	(314,375)
Net unconditional promises to give	36,692,171	4,504,045
Less: current portion	(8,069,427)	(2,556,703)
Net long-term unconditional promises to give	$ 28,622,744	$ 1,947,342

12. LEASES

In November 1990, the Foundation entered into an agreement with the State of Nevada to lease land, upon which the Foundation constructed a campus to serve people with disabilities, known as the “Oakey Campus”, which building was donated to Opportunity Village ARC. The term of the land lease was amended in July 2009 for forty-nine (49) years with no rental payments and will expire on June 30, 2058. The fair value of donated rent to be received under this lease has been estimated at $20,112 per year and is recorded as an unconditional promise to give, net of present value discount. 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 a campus to serve people with disabilities, known as the “Engelstad Campus”, which was completed and donated to Opportunity Village ARC in October 2009. The term of the land lease was amended in September 2006 for ninety-nine (99) years with annual rental payments of $1,200 and will expire on April 30, 2103. The fair value of donated rent to be received under this lease has been estimated at $63,552 per year and has been recorded as an unconditional promise to give, net of present value discount. The related expenses are recorded as grants to Opportunity Village ARC.

12. LEASES (CONTINUED)

Future minimum payments under the operating leases as of June 30, 2015 are as follows:

Fiscal year ending June 30,		
2016	$	1,200
2017		1,200
2018		1,200
2019		1,200
2020		1,200
Thereafter		99,400
	$	105,400

13. 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 balance of outstanding debt was $16,400,000 and $17,000,000 as of June 30, 2015 and 2014, respectively. The debt is recorded on the books of the Foundation, as the Foundation has the obligation for repayment. The funds were restricted to various construction projects, and were used to finance the costs of construction of the Engelstad Campus, and the renovation and improvement of the administrative facilities located at the Oakey Campus.

No principal payments are due on the bonds until their maturity date of January 1, 2037. A voluntary principal payment of $600,000 was made in April 2015. 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 2015 was 0.05%.

Attached to the bond is a mandatory letter of credit with a separate bank, which is the only collateral for the bonds. The letter of credit is in the amount of the bond proceeds plus 39 days accrued interest. The original letter of credit was replaced with a subsequent letter of credit effective February 10, 2011. The subsequent letter of credit of $17,217,973 consists of $17,000,000 principal plus $217,973, which represents 39 days of accrued interest at the maximum rate of 12% per annum. As part of the agreement under the letter of credit, the Foundation, combined with Opportunity Village ARC, must maintain a ratio of unrestricted cash and investments to debt of at least 1.25 to 1.00 at June 30 of each year. As of June 30, 2015 the Foundation was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2015.

14. RELATED PARTY TRANSACTIONS

Opportunity Village ARC has historically relied on the Foundation to provide grants and cash to cover operational shortfalls. However, Opportunity Village ARC is independent for financial reporting purposes as the entities are not under common control. The Foundation transferred cash balances totaling $3,200,000 and $4,600,000 for the years ended June 30, 2015 and 2014, respectively, to Opportunity Village ARC to cover operating shortfalls.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

(1) The Foundation has been granted by Clark County the right to use the land on which the Oakey Campus and Engelstad Campus were constructed. The land leases are recorded as Unconditional Promises to Give by the Foundation. For additional information, see Note 11. As the assets and buildings of the Oakey Campus and Engelstad Campus are owned by Opportunity Village ARC, Opportunity Village ARC recognized $83,664 in in-kind rent expense for each of the years ended June 30, 2015 and 2014.

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

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

The Foundation utilizes Northern Trust as an investment broker, where a Board Member is President. Those investments totaled $26,251,102 and $26,397,370 as of June 30, 2015 and 2014, respectively. In addition, Northern Trust has supplied a letter of credit of $17,217,973, which remains undrawn as of June 30, 2015. Fees paid to Northern Trust, including fees associated with the letter of credit, totaled $256,968 and $269,036 for the years ended June 30, 2015 and 2014, respectively.

Many Board members and their affiliated companies financially support the Foundation through various fundraising events, and may provide general and in-kind donations. For the years ended June 30, 2015 and 2014, Board members provided $16,585,400 and $2,683,265, respectively, in revenue, which represents 27% and 16% of total revenue recognized, respectively.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

A Foundation Board member is also a trustee of the Engelstad Family Foundation, a major contributor of the Foundation. The Engelstad Family Foundation contributed $25,000,000 and $2,000,000 for the years ended June 30, 2015 and 2014, respectively, which represented 40% and 13% of total revenues, respectively.

15. 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 on or before December 31st in installments of $5,000,000, provided the Foundation raises the following cumulative amounts towards Christopher's Crossing Capital Campaign (pledged or actual).

Fiscal year ending June 30,	
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

As of June 30, 2015, the Foundation has recorded an unconditional promise to give of $25,000,000 in relation to this agreement, as the Foundation has raised the required $25,000,000, as outlined above, ahead of the proposed schedule. The remaining $10,000,000 conditional promise will be recorded when the Foundation has raised $50,000,000, as outlined above.

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.