OPPORTUNITY VILLAGE

FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

HOULDSWORTH
RUSSO & COMPANY
20 YEARS & COUNTING
Certified Public Accountants

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OPPORTUNITY VILLAGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Opportunity Village Foundation ("Foundation"), which comprise the statement of financial position as of June 30, 2016, 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, 2016 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 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Las Vegas, Nevada
September 27, 2016

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,798,711	$ 26,952,009
Investments	68,765,230	45,725,082
Due from Opportunity Village ARC	2,909,306	452,205
Unconditional promises to give, current	8,044,915	8,069,427
Notes receivable, current	8,832	5,137
Prepaid expenses and other	62,193	58,567
	84,589,187	81,262,427
Property and equipment:		
Land	2,407,500	-
Vehicles	24,663	28,663
Buildings and improvements	622,699	633,975
Furniture, fixtures and equipment	2,259,739	2,173,615
Construction in progress	2,450,148	176,794
Accumulated depreciation	(2,089,988)	(1,802,354)
	5,674,761	1,210,693
Other noncurrent assets:		
Investments, permanently restricted	7,485,837	7,375,837
Deferred bond issuance costs, net	276,844	290,294
Ownership interest in Roberts Boulder, LLC	213,207	212,664
Unconditional promises to give, net	27,368,377	28,622,744
Notes receivable, net	103,502	111,032
Other noncurrent assets	352,934	345,125
	35,800,701	36,957,696
Total assets	$ 126,064,649	$ 119,430,816
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 228,431	$ 22,500
Accrued expenses	160,492	251,104
Deferred income	122,625	100,150
	511,548	373,754
Long-term liabilities:		
Deferred compensation	190,492	208,352
Long-term debt	16,400,000	16,400,000
	16,590,492	16,608,352
	17,102,040	16,982,106
Net assets:		
Unrestricted	51,508,100	42,968,392
Temporarily restricted	49,968,672	52,104,481
Permanently restricted	7,485,837	7,375,837
	108,962,609	102,448,710
Total liabilities and net assets	$ 126,064,649	$ 119,430,816

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Unrestricted activities		
Revenues, gains and support:		
Organizations and individual contributions	$ 4,323,742	$ 13,744,168
Fundraising revenues, less direct expenses of $708,562 and $756,608, respectively	3,989,453	3,907,756
Interest income	1,970,578	2,372,791
Release of restrictions	8,998,851	3,340,716
Total revenues, gains and support	19,282,624	23,365,431
Expenses:		
Program services	2,298,210	3,552,930
Support services:		
Fundraising	2,413,172	2,761,302
Management and general	1,425,637	1,412,285
Loss on investments	4,605,897	535,634
Total expenses	10,742,916	8,262,151
Change in unrestricted net assets	8,539,708	15,103,280
Temporarily restricted activities		
Revenues, gains and support:		
Organizations and individual contributions	793,425	987,326
Contributions to capital campaign	5,991,241	40,735,780
Interest income	188,376	146,927
Release of restrictions	(8,998,851)	(3,340,716)
Transfer to permanently restricted net assets	(110,000)	(67,500)
Change in temporarily restricted net assets	(2,135,809)	38,461,817
Permanently restricted activities		
Transfer to permanently restricted net assets	110,000	67,500
Change in permanently restricted net assets	110,000	67,500
Increase in net assets	6,513,899	53,632,597
Net assets, beginning of year	102,448,710	48,816,113
Net assets, end of year	$ 108,962,609	$ 102,448,710

OPPORTUNITY VILLAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

		Support Services			
	Program Services	Fundraising	Management and General	Total 2016	Total 2015
Grants to Opportunity Village ARC	$ 2,298,210	$ -	$ -	$ 2,298,210	$ 3,552,930
Salaries, taxes and benefits	-	1,639,827	729,636	2,369,463	2,448,718
Bank and credit card fees	-	-	88,287	88,287	93,453
Interest and bond expenses	-	-	188,878	188,878	187,981
Occupancy	-	174,895	-	174,895	225,064
Bad debt expense	-	-	-	-	151,099
Depreciation and amortization	-	336,150	13,450	349,600	294,561
Insurance	-	47,773	-	47,773	47,842
Transportation expenses	-	12,226	-	12,226	12,303
Supplies	-	26,529	-	26,529	189,118
Advertising and community relations	-	97,288	-	97,288	53,293
Conferences, travel and meals	-	12,414	-	12,414	36,599
Repairs and maintenance	-	20,227	-	20,227	17,225
Professional fees	-	-	21,775	21,775	59,420
Subcontracts and consulting	-	34,856	372,841	407,697	340,222
Miscellaneous	-	10,987	10,770	21,757	16,689
Total expenses	$ 2,298,210	$ 2,413,172	$ 1,425,637	$ 6,137,019	$ 7,726,517

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flow from operating activities:		
Increase in net assets	$ 6,513,899	$ 53,632,597
Adjustments to reconcile decrease in net assets to net cash:		
Depreciation and amortization expense	349,600	294,561
Change in present value discount	(255,612)	1,477,377
Forgiveness of amount due from Opportunity Village ARC	-	1,300,000
Donated expenses	83,664	83,664
Bad debt expense	-	139,618
Unrealized (gain)/loss on investments	1,834,160	(36,527)
Other	-	(1,239)
Changes in operating assets and liabilities:		
Unconditional promise to give	(5,605,607)	(40,741,919)
Due from Opportunity Village ARC	(2,452,480)	165,033
Prepaid expenses and other	(3,626)	52,280
Accounts payable	206,310	273
Accrued expenses and other	(73,136)	96,634
Net cash provided by/(used in) operating activities	597,172	16,462,352
Cash flows from investing activities:		
Purchase of property and equipment	(4,800,219)	(571,620)
Net payments for investments	(25,010,520)	(1,545,036)
Payments on notes receivable	3,835	8,136
Net cash provided by/(used in) investing activities	(29,806,904)	(2,108,520)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investments in endowments	110,000	67,500
Investments in capital campaign and other programs	6,946,434	6,785,634
Payments on long-term debt	-	(600,000)
Net cash provided by financing activities	7,056,434	6,253,134
Net increase/decrease in cash	(22,153,298)	20,606,966
Cash, beginning of year	26,952,009	6,345,043
Cash, end of year	$ 4,798,711	$ 26,952,009
Supplemental disclosures:		
Cash paid for interest	$ 19,829	$ 7,964
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 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, such as the Magical Forest and the Las Vegas Great Santa Run.

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.

Investments

Investments are recorded at fair 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. Our ownership interest in Roberts Boulder LLC is accounted for as an equity method investment. 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, 2016 and 2015 was $136,311 and $145,418, respectively. For further information regarding unconditional promises to give, see Note 10.

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, 2016 and 2015.

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

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.

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, 2016 and 2015 was $4,698,015 and $4,664,364, 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 two contributions from two donors that represented 77% of contribution revenue and 49% of total revenue recognized during the year ended June 30, 2016.

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 $37,456 and $230,291 during the year ended June 30, 2016 and 2015, respectively. Some advertising costs may be expensed as direct event costs on the Statements of Activities.

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. 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 services provides management services, facilities maintenance, and custodial services to the Foundation under an annual agreement. For the years ended June 30, 2016 and 2015, expenses under this agreement were $781,865 and $709,489, respectively.

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, 2015, from which the summarized information was derived.

Subsequent Events

Subsequent events have been evaluated through September 27, 2016, 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 \$228,660 and \$231,356 for the years ended June 30, 2016 and 2015, respectively.

Investments consist of the following:

	As of June 30,	
	2016	2015
Corporate bonds and bond funds	\$ 18,017,002	\$ 9,731,088
Mutual funds	41,801,265	26,600,225
Equity securities	15,782,924	15,803,020
Real estate investment trusts	649,876	966,586
Ownership interest in Roberts Boulder, LLC	213,207	212,664
Total	76,464,274	53,313,583
Less current maturities	68,765,230	45,725,082
Total long-term investments	\$ 7,699,044	\$ 7,588,501

The Foundation also holds land for investment, valued at its original donation value of \$51,000 as of June 30, 2016 and 2015.

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. Our Level 2 fair value measurements were done using the market approach for similar assets. No liabilities are held at fair value.

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2016				
Trading securities	\$ 75,601,191	\$ -	\$ -	\$75,601,191
Real estate investment trusts	-	649,876	-	649,876
Total	\$ 75,601,191	\$ 649,876	\$ -	\$76,251,067

	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
Total	$ 52,134,333	$ 966,586	$ -	$53,100,919

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, 2016	As of June 30, 2015
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.	32,263	34,619
Dean Court property in Henderson, Nevada, secured by deed of trust, monthly payments of $400 at 2% interest, matures November 2036.	80,071	81,550
Total	135,489	139,324
Less: allowance for doubtful accounts	23,155	23,155
Net notes receivable	112,334	116,169
Less: current portion	8,832	5,137
Total net long-term notes receivable	$ 103,502	$ 111,032

Contractual maturities of notes receivable at June 30, 2016 are as follows:

Fiscal year ending June 30,	
2017	$ 5,302
2018	5,473
2019	5,651
2020	5,837
2021	6,029
Thereafter	107,197
	$ 135,489

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, 2016 and 2015:

	For the year ended June 30,	
	2016	2015
Advertising	$ 17,900	$ 191,477
Professional fees	161,649	147,790
Entertainment	19,500	5,500
Total donated services	199,049	344,767
Donated goods	194,164	208,717
Total in-kind contributions	$ 393,213	$ 553,484

6. DEFERRED BOND ISSUANCE COSTS

Deferred bond issuance costs consist of the following:

	For the year ended June 30,	
	2016	2015
Deferred bond issuance costs	$ 587,669	$ 587,669
Less: accumulated amortization	(310,825)	(297,375)
	$ 276,844	$ 290,294

Amortization expense was $13,450 for each of the years ended June 30, 2016 and 2015, respectively.

Future estimated amortization for deferred bond issuance costs are as follows:

Fiscal year ending June 30,	
2017	$ 13,450
2018	13,450
2019	13,450
2020	13,450
2021	13,450
Thereafter	209,594
	$ 276,844

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,	
	2016	2015
Capital campaign	$ 44,367,188	$ 44,647,494
Land leases	2,057,975	2,107,248
Recreation programs	1,622,806	1,736,523
Life-learning park	-	1,405,505
Land for campus expansion	835,000	835,000
Scholarships	389,926	610,720
Time restricted	370,740	391,007
Magical Forest	309,683	357,130
Various donor-restricted programs	15,354	13,854
	$ 49,968,672	$ 52,104,481

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

	As of June 30,	
	2016	2015
Investments	$ 14,555,380	$ 15,412,310
Unconditional promises to give, net	35,413,292	36,692,171
	$ 49,968,672	$ 52,104,481

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

	As of June 30,	
	2016	2015
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	657,500	597,500
Forrest Endowment (1)	399,249	399,249
Nitz Scholarship Endowment	50,000	-
Total permanently restricted net assets	$ 7,485,837	$ 7,375,837

(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,	
	2016	2015
Cash and cash equivalents, unrestricted	$ -	$ 209,776
Investments	7,485,837	7,327,583
Total	$ 7,485,837	$ 7,537,359

Interpretation of Relevant Law: The Board of Directors (the "Board") 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:

(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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 7,485,837	$ 7,485,837
Board-designated endowment funds	-	-	-	-
Total	$ -	$ -	$ 7,485,837	$ 7,485,837

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 161,522	$ -	$ 7,375,837	$ 7,537,359
Investment return:				
Investment income	-	193,459	-	193,459
Net appreciation (realized and unrealized)	-	(452,177)	-	(452,177)
Total investment return	-	(258,718)	-	(258,718)
Contributions – Donor restricted	-	-	110,000	110,000
Contributions – Board designated	-	258,718	-	258,718
Transfer of unrestricted endowment assets	(161,522)	-	-	(161,522)
Endowment net assets, end of year	$ -	$ -	$ 7,485,837	$ 7,485,837

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 appreciation (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

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, 2016 and 2015.

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.

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.

9. DEFERRED COMPENSATION

As of June 30, 2016, 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, 2016 and 2015, the Foundation has recorded a deferred compensation liability of $190,492 and $208,352, respectively, and the Board has designated unrestricted cash and investments to pay the liability when it comes due.

10. 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, 2016	As of June 30, 2015
Unconditional promises to give for:		
Capital Campaign	$ 33,047,027	$ 34,570,482
Scholarships	400,000	250,000
Magical Forest	342,500	402,500
Land	835,000	835,000
Other	415,206	441,685
Oakey Campus land lease (See Note 11)	841,730	861,842
Englestad Campus land lease (See Note 11)	5,655,698	5,719,250
Total unconditional promises to give	$ 41,537,161	$ 43,080,759
Receivable in less than one year	$ 8,044,915	$ 8,069,427
Receivable in one to five years	22,556,613	24,196,866
Receivable in more than five years	10,935,633	10,814,466
Total unconditional promises to give	41,537,161	43,080,759
Less: unamortized discount	(5,987,558)	(6,243,170)
Less: allowance for doubtful accounts	(136,311)	(145,418)
Net unconditional promises to give	35,413,292	36,692,171
Less: current portion	(8,044,915)	(8,069,427)
Net long-term unconditional promises to give	$ 27,368,377	$ 28,622,744

11. 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.

Future minimum payments under the operating leases as of June 30, 2016 are as follows:

Fiscal year ending June 30,		
2017	$	1,200
2018		1,200
2019		1,200
2020		1,200
2021		1,200
Thereafter		98,400
	$	104,400

12. 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 as of June 30, 2016 and 2015, 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. 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 2016 was 0.12%.

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 2017. The subsequent letter of credit of $16,610,279 consists of $16,400,000 principal plus $210,279, 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, 2016, the Foundation was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2016.

13. COMMITMENTS AND CONTINGENCIES

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

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%. The credit line is unsecured and expired on June 2, 2016. No amount was drawn on this credit line at its expiration date.

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 $5,300,000 and $3,200,000 for the years ended June 30, 2016 and 2015, respectively, to Opportunity Village ARC to cover operating shortfalls and construction costs related to a park.

The Foundation recognized grant disbursements to Opportunity Village ARC totaling $2,298,210 and $3,552,930 for the years ended June 30, 2016 and 2015, 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,	
	2016	2015
Scholarships	$ 1,141,921	$ 966,845
Donations and interest income related to programs	446,672	1,202,421
In-kind rent (1)	83,664	83,664
Forgiveness of intercompany debt (2)	-	1,300,000
Capacity building	625,953	-
Total grant disbursements	$ 2,298,210	$ 3,552,930

(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, 2016 and 2015.

(2) The Foundation had an amount due from Opportunity Village ARC of $2,909,306 and $452,205 as of June 30, 2016 and 2015, 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 payments for management services as described in Note 1. 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, 2016.

During the year ended June 30, 2015, the Foundation transferred assets with a fair value of $538,811 to Opportunity Village ARC. 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. No asset transfers occurred in the year ended June 30, 2016.

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, 2016 and 2015, Board members provided $1,113,883 and $16,585,400, respectively, in revenue, which represents 6% and 27% of total revenue recognized, respectively.

A Foundation Board member is also a trustee of the Engelstad Family Foundation, a major contributor of the Foundation. The Engelstad Family Foundation contributed $5,000,000 and $25,000,000 for the years ended June 30, 2016 and 2015, respectively, which represented 29% and 40% 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

Cumulatively as of June 30, 2016, the Foundation has recorded revenue of $30,000,000 in relation to this agreement, as the Foundation has raised the required $35,000,000, as outlined above, ahead of the proposed schedule. The remaining $5,000,000 conditional promise will be recorded when the Foundation has raised $50,000,000, as outlined above.