OPPORTUNITY VILLAGE

ASSOCIATION FOR RETARDED CITIZENS

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

HOULDSWORTH RUSSO & COMPANY
Certified Public Accountants

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

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OPPORTUNITY VILLAGE
60 YEARS OF IMPROVING LIVES

A MESSAGE FROM THE CEO OF OPPORTUNITY VILLAGE

This has been an eventful year for Opportunity Village as we reach an amazing milestone: 60 years of helping thousands of Nevadans with disabilities and their families. Since Opportunity Village was founded in 1954 by seven dedicated and loving families who were determined to give their children with disabilities the best lives possible, we have become one of the most respected community habilitation programs in the United States and Nevada's largest private, not-for-profit community habilitation program.

Last year, we served nearly 3,000 Nevadans with disabilities (OVIPs) through vocational training, community employment, day services, advocacy, and arts and social recreation programs. Here they are able to find new friends, realize future career paths, seek independence and community integration, and unleash creative passions – things that most people take for granted. We serve people with all ability levels and everyone who attends Opportunity Village receives a paycheck or training stipend. They're hard-working and diligent, proudly paying taxes, and happily leading more fulfilling lives.

Opportunity Village is primarily a self-funded organization and generates the majority of its operational funding through employment contracts, public-private partnerships, and fundraising efforts such as the Magical Forest and the Las Vegas Great Santa Run, saving Nevada taxpayers **$33.7** million annually.

During Fiscal Year 2014:

- Opportunity Village served almost 3,000 with disabilities and provided assessment, training and employment services to 1,975 people.
- OVIPs collectively earned more than $5.9 million in wages.
- About 42 percent of our budget is contract revenue from our business lines such as our Cookie Crafters, Cleaning Crew, Paper Pros and other programs, with the other 31 percent from fundraising income.

Our programs make tangible differences in the lives of Nevadans with disabilities, their families and the southern Nevada community. We at Opportunity Village are dedicated to ensuring that individuals with disabilities will continue to have opportunities and programs that help them enjoy greater independence, self-esteem and better, more meaningful lives. In short, we give the individuals we serve *Pride. Purpose. And a Paycheck.*

Sincerely,

Ed Guthrie
Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village Association for Retarded Citizens
Las Vegas, Nevada

We have audited the accompanying financial statements of Opportunity Village Association for Retarded Citizens ("Opportunity Village"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Village as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. "A Message from the CEO of Opportunity Village" on page 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Las Vegas, Nevada
September 19, 2014

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 729,784	$ 609,628
Investments	1,495,140	1,310,958
Accounts receivable, net of allowance	1,702,399	1,395,532
Government support receivable	854,488	721,076
Employee receivable, current	3,620	3,620
Unconditional promises to give, current	75,166	-
Inventory	220,742	294,451
Prepaid expenses and other	1,513,996	1,660,745
	6,595,335	5,996,010
Property and equipment:		
Land	450,000	450,000
Buildings and improvements	34,919,503	33,477,279
Machinery and equipment	8,279,440	8,162,156
Automobiles and trucks	1,346,500	1,295,235
Accumulated depreciation	(16,330,662)	(14,077,128)
	28,664,781	29,307,542
Other noncurrent assets:		
Deposits	27,155	27,155
Employee receivable, long-term	8,861	12,481
Unconditional promises to give, net	2,042,361	-
Down payment assistance receivable	254,351	254,351
	2,332,728	293,987
	$ 37,592,844	$ 35,597,539

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

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

	2014	2013
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 521,609	$ 496,940
Accrued expenses	1,243,904	1,364,990
Due to Opportunity Village Foundation	2,549,819	74,599
Current portion of capital lease obligations	73,165	76,715
	4,388,497	2,013,244
Long-term liabilities:		
Deferred compensation	356,648	348,363
Capital lease obligations	294,451	257,670
	651,099	606,033
	5,039,596	2,619,277
Net assets:		
Unrestricted	30,435,721	32,978,262
Temporarily restricted	2,117,527	-
	32,553,248	32,978,262
	$ 37,592,844	$ 35,597,539

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Changes in unrestricted net assets		
Revenues, gains and support:		
Government support for services	$ 9,564,972	$ 8,510,732
Other revenues:		
Contributions	954,602	86,076
Federal grant revenue	-	50,034
Service contracts	7,692,596	8,735,631
Thrift store sales, net	1,076,305	1,219,927
General contract sales	4,221,307	3,995,509
Vehicle sales, net	44,923	61,521
Interest income	51,566	79,927
Realized and unrealized gain on investments	120,344	150,936
Other	2,589	19,452
Gain on disposal of assets	9,412	-
Grants from Opportunity Village Foundation	1,677,331	1,401,403
	15,850,975	15,800,416
	25,415,947	24,311,148
Expenses:		
Program services:		
Service contracts	7,171,597	9,094,089
Thrift store	1,158,926	1,106,495
Work-training and adult development	16,166,419	14,121,880
Support services:		
Management and general	3,461,546	2,990,071
Loss on disposal of assets	-	414
	27,958,488	27,312,949
Decrease in unrestricted net assets	(2,542,541)	(3,001,801)
Changes in temporarily restricted net assets		
Contributions	2,117,527	-
Increase in temporarily restricted net assets	2,117,527	-
Decrease in net assets	(425,014)	(3,001,801)
Net assets, beginning of year	32,978,262	35,980,063
Net assets, end of year	$ 32,553,248	$ 32,978,262

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

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

	Program Services						
	Service Contracts	Thrift Store	Work-training	Total Program Services	Management and General	Total 2014	Total 2013
Staff salaries	$ 2,366,171	$ 334,670	$ 6,678,389	$ 9,379,230	$ 1,849,558	$ 11,228,788	$ 10,701,292
Client salaries	2,181,063	188,936	1,561,258	3,931,257	-	3,931,257	4,268,172
Payroll taxes	449,531	40,224	703,721	1,193,476	186,081	1,379,557	1,547,867
Employee benefits	937,986	68,561	832,201	1,838,748	234,760	2,073,508	2,096,670
Staff training and development	22,991	1,918	32,672	57,581	7,374	64,955	41,056
Utilities	53,560	64,873	536,455	654,888	44,924	699,812	645,582
Rent	39,769	175,888	346,681	562,338	35,818	598,156	383,144
Depreciation and amortization	153,233	40,279	1,917,047	2,110,559	280,218	2,390,777	2,280,654
Contract services	-	33,194	499,759	532,953	-	532,953	515,234
Supplies	344,281	28,732	613,878	986,891	33,058	1,019,949	883,991
Insurance and taxes	80,235	12,312	99,487	192,034	22,681	214,715	190,623
Transportation expenses	114,839	74,150	341,142	530,131	57,340	587,471	631,697
Interest	-	-	14,751	14,751	542	15,293	5,982
Commissions and bank fees	158,342	16,496	63,566	238,404	20,213	258,617	308,601
Advertising and publications	25,738	2,677	37,849	66,264	250	66,514	98,921
Provision for bad debts	14,790	302	38,520	53,612	-	53,612	33,615
Customer relations	1,020	825	31,444	33,289	16,389	49,678	40,676
Telephone	64,518	20,973	184,076	269,567	227,162	496,729	386,804
Conferences	224	454	13,473	14,151	39,335	53,486	47,906
Repairs and maintenance	82,947	17,929	385,424	486,300	71,921	558,221	506,373
Recruitment	33,387	3,863	51,795	89,045	19,896	108,941	79,935
Professional fees	-	-	-	-	129,211	129,211	131,796
Subcontracts and consulting	25,488	27,268	1,098,381	1,151,137	152,200	1,303,337	1,315,927
Freight	-	1,918	24,627	26,545	-	26,545	51,471
Postage	134	61	15,426	15,621	2,045	17,666	18,721
Dues	3,837	50	12,425	16,312	29,026	45,338	43,279
Uniforms	17,513	2,373	31,972	51,858	1,544	53,402	56,546
Total expenses	$ 7,171,597	$ 1,158,926	$ 16,166,419	$ 24,496,942	$ 3,461,546	$ 27,958,488	$ 27,312,535

See accompanying notes to financial statements

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

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

	2014	2013
Cash flows from operating activities:		
Decrease in net assets	$ (425,014)	$ (3,001,801)
Adjustments to reconcile decrease in net assets to net cash:		
(Gain) loss on disposal of assets	(9,412)	414
Unrealized gain on investment	(184,871)	(150,936)
Depreciation and amortization expense	2,390,777	2,280,654
Provision for bad debt	53,612	33,615
Donated assets	(1,159,464)	(50,034)
Change in present value discount	4,547,172	-
(Increase) decrease in:		
Accounts receivable	(360,479)	858,037
Government support receivable	(133,412)	(47,114)
Unconditional promise to give	(6,664,699)	-
Federal grant receivable	-	360,251
Employee receivable	3,620	(4,526)
Inventory	73,709	(19,232)
Prepaid expenses and other	146,749	(90,744)
Deposits	-	(155)
Increase (decrease) in:		
Accounts payable	24,669	(10,284)
Accrued expenses	(121,086)	374,344
Due to Foundation	2,475,220	(706,020)
Net cash provided by (used in) operating activities	657,091	(173,531)
Cash flows from investing activities:		
Purchase of securities	(1,652,078)	(6,221,740)
Proceeds from the sale of securities	1,661,052	6,693,465
Purchase of property and equipment	(456,579)	(520,529)
Net cash used in investing activities	(447,605)	(48,804)

OPPORTUNITY VILLAGE ASSOCIATION FOR RETARDED CITIZENS

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

	2014	2013
Cash flows from financing activities:		
Payments on capital lease obligations	(89,330)	(81,119)
Net cash used in financing activities	(89,330)	(81,119)
Net increase (decrease) in cash	120,156	(303,454)
Cash, beginning of year	609,628	913,082
Cash, end of year	$ 729,784	$ 609,628
Supplemental disclosures:		
Assets acquired through capital lease obligations	$ 122,561	$ 305,456
Assets acquired through accounts payable	$ -	$ 13,730
Imputed interest on capital lease obligations	$ 15,293	$ 5,982

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Opportunity Village Association for Retarded Citizens ("Opportunity Village") is a not-for-profit organization operated to assist and train adults with severe intellectual disabilities through vocational training, employment and similarly organized activities in the Southern Nevada region. Opportunity Village also operates one thrift store. Opportunity Village 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 presents its financial statements in accordance with the Financial Accounting Standards Board (FASB) Codification. Under FASB Codification, Opportunity Village 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.

Accounts and Government Receivable

Accounts receivable result from contracts for the services of Opportunity Village clients, including contracts with the government, and are shown net of allowance. Management reviews accounts receivable balances and performs credit evaluations of its customers in order to determine whether or not a provision for potential credit losses is necessary. At June 30, 2014 and 2013, the allowance for doubtful accounts was $261,175 and $224,218, respectively. All amounts recorded are expected to be received within one year.

Inventory

Inventory consists of items used in the Employment Training Center, materials used in work performed on various service contracts and donated thrift store goods, and is stated at the lower of cost (determined by the first-in, first-out method) or market if purchased and approximate fair market value at the date of donation, if donated.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash on hand and demand deposits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Opportunity Village 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 5 years for automobiles, 3 to 10 years for furniture and equipment, 5 to 30 years for buildings and improvements, and 47 years for site improvements at the new facilities.

Income Tax Status

Opportunity Village 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.

Revenue Recognition

Opportunity Village accounts for contributions in accordance with the FASB Codification. As such, contributions are recognized as revenue when they are received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Government support is obtained from various government agencies for services provided to the government agencies. Revenue is recorded and matched in the same period as the costs incurred. Government support receivable represents receivables related to the government service contracts. This support is expected to be collected within one year. Service contracts are obtained from various agencies, including Source American (formerly NISH) and other private agencies throughout the community. Revenue is recorded and matched in the same period as the costs are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

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

Donated Services

The estimated fair value of unrecorded donated services, which principally consist of non-professional volunteers, was approximately $273,530 and $329,997 for the years ended June 30, 2014 and 2013, respectively. As required by FASB Codification, these amounts are not included in the revenues listed in the statements of activities and changes in net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates include accounts receivable allowance and the estimated useful lives for fixed assets.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

Shipping and Handling

Shipping and handling costs are expensed as incurred. Total shipping and handling costs for the years ended June 30, 2014 and 2013 were $26,545 and $51,471, respectively and are allocated among program services expenses on the statement of functional expenses.

Advertising

Opportunity Village expensed all of its advertising costs as they were incurred. Advertising costs totaled $66,514 and $98,921 during the years ended June 30, 2014 and 2013, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

Opportunity Village 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 Opportunity Village reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Opportunity Village follows FASB Codification to determine the impairment of long-lived assets. FASB Codification 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. Management of Opportunity Village believes that no adjustment for impairment was necessary at June 30, 2014 and 2013.

Subsequent Events

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

2. INVESTMENTS

Investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Mutual funds – equity securities	$ 1,450,909	$ 970,607
Equity securities	44,231	340,351
Total	$ 1,495,140	$ 1,310,958

In accordance with FASB ASC 820-10 and subsections, the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

2. INVESTMENTS (Continued)

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

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

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

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

Opportunity Village's only assets valued at fair value are its investments. Opportunity Village holds all of its investments in publicly traded equity or debt instruments, as follows:

	June 30, 2014	Level 1
Trading securities	$ 1,495,140	$ 1,495,140

	June 30, 2013	Level 1
Trading securities	$ 1,310,958	$ 1,310,958

3. DEFERRED COMPENSATION AGREEMENT

Opportunity Village has deferred compensation agreements with select employees of the organization. As of June 30, 2014, one employee had a deferred compensation agreement that requires $17,500 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, 2014 and 2013, the Board has designated $356,648 and $348,363, respectively, of unrestricted investments to pay the deferred compensation liability when it comes due. The June 30, 2013 balance included the deferred compensation account of an employee that was paid out in full during the year ended June 30, 2014.

4. ASSISTED HOUSING PROGRAM RECEIVABLE

Opportunity Village received grant funding during the fiscal year ending June 30, 2002 to offer a down payment assistance loan program for clients to purchase a primary residence. Clients can 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. Additionally, the entire amount of the loan will be forgiven after 15 years. At June 30, 2014 and 2013, the receivable balance outstanding under this program was $254,351 and $254,351, respectively.

5. INCENTIVE INCOME – ENERGY CREDIT

During the year ended June 30, 2012, Opportunity Village received a grant of $1,500,000 to install three solar panels on its property. Opportunity Village assigned the grant monies to a third party, and the third party paid for and installed the solar panels. The third party owns the solar panel assets. In exchange for the assigned grant monies, Opportunity Village received a credit of $1,500,000 for Opportunity Village's future use of the solar energy produced by the solar panels. This credit is accounted for as a prepaid solar energy asset. Opportunity Village entered into an agreement with the third party to utilize the solar panels for 20 years. As Opportunity Village utilizes the energy produced from the third party, Opportunity Village's prepaid solar energy asset is reduced monthly based on the solar kilowatt hours produced by the solar panels multiplied by an agreed upon basic energy rate. Once the prepaid solar energy asset is depleted, Opportunity Village will be responsible for paying for the solar energy used. The basic energy rate increases every five years. As of June 30, 2014, the basic energy rate was $0.25 per kilowatt hour. Opportunity Village has the option to purchase the solar panels at the end of five years for fair market value. If Opportunity Village opts to purchase the solar energy panels, the remaining prepaid solar energy asset will be returned. If Opportunity Village terminates the agreement before the 20 year term, the prepaid solar energy asset will be forfeited.

6. UNCONDITIONAL PROMISES TO GIVE

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

	2014	2013
Residential housing land lease	$ 6,664,699	$ -
Receivable in less than one year	$ 75,166	$ -
Receivable in one to five years	375,829	-
Receivable in more than five years	6,213,704	-
Total unconditional promises to give	6,664,699	-
Less: unamortized discount	4,547,172	-
Net unconditional promises to give	2,117,527	-
Current	75,166	-
Long-term	$ 2,042,361	$ -

Unconditional promises to give are recorded at the present value of the estimated fair value of the land parcels using a discount rate of 3.37%. Amounts are recorded as temporarily restricted net assets until released from restriction.

7. NATURE AND AMOUNT OF NET ASSETS

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

Temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013 and are held solely in unconditional promises to give:

	2014	2013
Unconditional promises to give for land lease, net	$ 2,117,527	$ -

8. CAPITAL LEASE OBLIGATIONS

Opportunity Village leases assets under long-term agreements that are classified as capital leases. Amortization related to these leases is included in depreciation expense. The fair market value of the equipment acquired through capital leases exceeded the total minimum lease payments under the lease. Therefore, interest was imputed on these capital lease calculations. The assets include the following property as of June 30, 2014 and 2013:

	2014	2013
Office equipment	$ 78,708	$ 112,930
Vehicles	370,768	467,963
	449,476	580,893
Less: accumulated amortization	(63,704)	(186,906)
	$ 385,772	$ 393,987

The following are maturities for the fiscal year ending June 30,

2015	$ 90,014
2016	81,226
2017	80,335
2018	70,996
2019	54,679
Thereafter	43,008
	420,258
Less: amount representing interest	(52,642)
Less: current portion	(73,165)
Long-term portion	$ 294,451

9. RETIREMENT PLAN

Opportunity Village 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, 2014 and 2013, Opportunity Village 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, 2014 and 2013 were $67,900 and $69,977, respectively.

Opportunity Village provides services under several AbilityOne federal contracts. All of these contracts are subject to the McNamara-O'Hara Service Contract Act of 1965, 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 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, 2014 and 2013 were $393,480 and $498,659, respectively.

10. RISKS AND CONCENTRATIONS

Opportunity Village 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 has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

As of and for the year ended June 30, 2014, one customer made up 32% of accounts receivable but did not comprise a significant amount of total revenue. A different customer made up 39% of total contract revenue and 33% of total revenue but did not make up a significant portion of accounts receivable.

11. LEASES

Opportunity Village's leasing arrangements consist primarily of the leasing of office equipment, vehicle and rental space under operating leases with noncancelable terms that expire on various dates through 2022. The expense incurred under these leases for the years ended June 30, 2014 and 2013 were $549,301and $365,357, respectively.

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

Fiscal Year Ending June 30,		
2015	$	371,039
2016		362,793
2017		373,756
2018		334,797
2019		189,000
Thereafter		527,625
	$	2,159,010

Land Leases

In March 2014, Opportunity Village entered into an agreement with Clark County to lease two parcels of land to be used for the construction, operation, and maintenance of The Village Residences, 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.

In July 2010, Opportunity Village entered into a land lease, upon which Opportunity Village was able to lease property adjacent to the Walters Family Campus. 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. Since the lease does not have a maturity date it is recorded as an in-kind operating expense each year.

In November 1990, the Foundation entered into an agreement with the State of Nevada to lease land, upon which the Foundation constructed the Walters Campus, which was completed and donated to Opportunity Village in May 2000. The term of the land lease was amended in July 2009 for 49 years with no rental payments and will expire on June 30, 2058. The fair value of donated rent to be received under this lease has been estimated at $20,106 per year and 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. As the Foundation is the lessee under this agreement, the land is not recorded by Opportunity Village, however the Walters Campus is constructed on this land, and the buildings associated with the Walters Campus are recorded by Opportunity Village.

11. LEASES (Continued)

Land Leases (Continued)

In May 2004, the Foundation entered into an agreement with Clark County to lease land, upon which the Foundation constructed the Engelstad Campus, which was completed and donated to Opportunity Village in October 2009. The term of the land lease was amended in September 2006 to be granted to the Foundation 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 $63,547 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. As the Foundation is the lessee under this agreement, the land is not recorded by Opportunity Village, however the Engelstad Campus is constructed on this land, and the buildings associated with the Engelstad Campus are recorded by Opportunity Village.

12. 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 Foundation Project) Series 2007 were issued in the amount of $24,275,000. The obligation of the loan repayment is with the Foundation and the related debt is recorded on the books of the Foundation. The funds were restricted for the use of various construction projects. The funds were used to finance the costs of construction of a building located on land leased from Clark County at the intersection of Buffalo and Patrick in Clark County, Nevada. The funds were also used for the renovation and improvement of the Foundation’s existing administrative facilities located in the City of Las Vegas, Nevada. The project is being used as administrative headquarters and as employment and training facilities to assist, train and employ adults with intellectual disabilities.

No principal payments are due on the bonds until their maturity date of January 1, 2037. The interest rate is a variable rate determined by the bond remarketing agent not to exceed 12%. The overall effective rate of interest on the bonds for fiscal year 2014 was 0.8%. Attached to the bond is a mandatory letter of credit with a separate bank. This is the only collateral for the bonds. The letter of credit is in the amount of the bond proceeds plus 39 days accrued interest.

The original letter of credit was replaced with a subsequent letter of credit effective February 10, 2011. The subsequent letter of credit of $17,217,973 consists of the $17,000,000 principal plus $217,973, which represents 39 days of accrued interest at the maximum rate of 12% per annum. As part of the agreement under the letter of credit the Foundation combined with Opportunity Village must maintain a ratio of unrestricted cash and investments to debt of at least 1.25 to 1.00 at June 30 each year. As of June 30, 2014 the Foundation was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2014.

12. COMMITMENTS AND CONTINGENCIES (Continued)

The following is a summary of long-term debt as reported in the Foundation's financial statements at June 30:

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

Line of Credit

Opportunity Village and the Foundation collectively secured a revolving line of credit for $3,000,000 in June 2014. Advances on the credit line are payable on demand and carry an interest rate equal to the prime rate plus 3%. The credit line is unsecured and expires on June 2, 2015. No amount was drawn on this credit line as of June 30, 2014.

13. RELATED PARTIES

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

The Foundation had an amount due from Opportunity Village ARC of $2,549,819 and $74,599 as of June 30, 2014 and 2013, respectively. Intercompany receivables and payables are the result of cash grants provided to Opportunity Village ARC by the Foundation for operating needs, transfers of property and equipment, and expenses paid by one organization on behalf of the other. These balances are monitored by the Boards of each organization and may be forgiven by each organization as necessary. As of June 30, 2014 and 2013, no amounts have been forgiven.

Additionally, the State of Nevada has granted the Foundation the right to use the land on which the Oakey Campus was built. Clark County has granted the right to use the land on which the Engelstad Campus was built. As the campuses were constructed on these leased parcels of land and used by Opportunity Village, Opportunity Village recognized $83,664 and $83,664 in in-kind rent expense for the years ended June 30, 2014 and 2013, respectively.

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

13. RELATED PARTIES (Continued)

Opportunity Village purchases some of its advertising from the Las Vegas Review-Journal where a former board member and current employee was employed as a Publisher. Those purchases totaled $45,415 and $36,534 for the years ended June 30, 2014 and 2013, respectively.

Opportunity Village 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 $49,717 and $61,866 for the years ended June 30, 2014 and 2013, respectively.

Opportunity Village utilizes Eckelkamp Retirement Planning as an investment broker where a board member is President. The cash and investments held by Eckelkamp Retirement Planning totaled approximately $1,510,450 and $1,321,461 at June 30, 2014 and 2013, respectively. Fees paid to Eckelkamp Retirement Planning totaled $8,606 and $11,362 for the years ended June 30, 2014 and 2013, respectively.