OPPORTUNITY VILLAGE

FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

HOULDSWORTH
RUSSO & COMPANY
20 YEARS & COUNTING
Certified Public Accountants

HOULDSWORTH, RUSSO & COMPANY
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OPPORTUNITY VILLAGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village Foundation
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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
November 22, 2019

Certified Public Accountants
20 YEARS & COUNTING

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,293,795	$ 34,828,165
Investments	22,223,099	29,741,851
Investments, restricted	1,923,055	1,704,680
Unconditional promises to give, current	966,043	838,108
Notes receivable, current	2,777	2,673
Prepaid expenses and other	20,704	26,535
	60,429,473	67,142,012
Property and equipment:		
Land	2,419,778	2,419,778
Vehicles	24,663	24,663
Buildings and improvements	618,629	610,246
Furniture, fixtures and equipment	2,623,525	2,511,150
Construction in progress	8,392,731	3,313,176
Accumulated depreciation	(2,867,606)	(2,686,706)
	11,211,720	6,192,307
Other noncurrent assets:		
Investments, restricted, noncurrent	28,858,826	16,908,961
Investments, restricted in perpetuity	7,670,837	7,670,837
Ownership interest in Roberts Boulder, LLC	-	102,258
Unconditional promises to give, net	21,127,197	37,550,605
Notes receivable, net	23,592	25,725
Other noncurrent assets	60,219	111,219
	57,740,671	62,369,605
Total assets	$ 129,381,864	$ 135,703,924

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 120,802	$ 17,703
Accrued expenses	2,103,891	350,891
Deferred income	30,266	42,250
	2,254,959	410,844
Long-term liabilities:		
Deferred compensation	15,050	-
Long-term debt, net of debt issuance costs	13,663,506	13,650,056
	13,678,556	13,650,056
Total liabilities	15,933,515	14,060,900
Net assets:		
Without donor restrictions	44,509,660	53,769,576
With donor restrictions	68,938,689	67,873,448
	113,448,349	121,643,024
Total liabilities and net assets	$ 129,381,864	$ 135,703,924

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Net assets without donor restrictions		
Revenues, gains, and support:		
Organization and individual contributions	$ 1,365,875	$ 912,968
Contributions to capital campaign	-	514,297
Fundraising revenues, less direct expenses of $730,686 and $529,305, respectively	2,799,495	3,082,069
Interest income	3,231,651	2,893,749
Realized and unrealized gain on investments	1,756,954	1,206,974
Gain on sale of property and equipment	15,503	-
Release of restrictions	181,420	1,117,953
Total revenues, gains, and support	9,350,898	9,728,010
Program and support services, expenses, and losses:		
Program services	2,337,513	3,252,857
Support services:		
Fundraising	2,652,660	2,402,425
Management and general	2,154,192	1,745,751
Total program and support services	7,144,365	7,401,033
Bad debt loss	11,466,449	427,317
Total program and support services and losses	18,610,814	7,828,350
Change in net assets without donor restrictions	(9,259,916)	1,899,660
Net assets with donor restrictions		
Revenues, gains, and support:		
Organization and individual contributions	393,240	186,374
Contributions to capital campaign	853,421	4,930,889
Release of restrictions	(181,420)	(1,117,953)
Change in net assets with donor restrictions	1,065,241	3,999,310
Change in net assets	(8,194,675)	5,898,970
Net assets, beginning of year	121,643,024	115,744,054
Net assets, end of year	$ 113,448,349	$ 121,643,024

OPPORTUNITY VILLAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

		Support Services				
	Program Services	**Fundraising**	**Management and General**	**Special Event Direct Expenses**	**Total 2019**	**Total 2018**
Grants to Opportunity Village ARC	$ 2,337,513	$ -	$ -	$ -	$ 2,337,513	$ 3,252,857
Salaries, taxes, and benefits	-	1,774,082	1,356,562	-	3,130,644	2,671,763
Bank and credit card fees	-	-	66,917	-	66,917	64,274
Interest and bond expenses	-	-	373,413	-	373,413	330,574
Occupancy	-	90,715	-	60,447	151,162	64,185
Depreciation	-	228,757	-	-	228,757	291,268
Insurance	-	69,483	-	-	69,483	71,240
Transportation	-	21,214	-	-	21,214	18,303
Supplies	-	16,380	-	591,520	607,900	504,989
Advertising and community relations	-	132,853	-	6,108	138,961	91,355
Conferences, travel, and meals	-	121,020	-	-	121,020	12,739
Repairs and maintenance	-	47,877	-	-	47,877	22,635
Professional fees	-	2,672	22,250	-	24,922	56,688
Subcontracts and consulting	-	118,204	335,050	-	453,254	409,250
Miscellaneous	-	29,403	-	72,611	102,014	68,218
Total expenses	$ 2,337,513	$ 2,652,660	$ 2,154,192	$ 730,686	7,875,051	$ 7,930,338
Less: special event direct expenses					(730,686)	$ (529,305)
Total program and support services					$ 7,144,365	$ 7,401,033

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

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

	2019	2018
Cash flow from operating activities:		
Change in net assets	$ (8,194,675)	$ 5,898,970
Adjustments to reconcile change in net assets to net cash:		
Depreciation expense	228,757	291,268
Amortization of debt issuance costs (interest)	13,449	13,449
Donated securities	(102,677)	-
Gain on sale of property and equipment	(15,503)	-
Change in present value discount	(1,269,962)	(93,878)
Change in allowance for unconditional promises to give	144,887	427,317
Contributions restricted for investment in endowments	-	(80,000)
Contributions restricted for investment in capital campaign and other programs	(5,435,986)	(426,344)
Forgiveness of debt to Opportunity Village ARC	1,646,396	2,180,653
Amortization of land pledge	85,174	85,174
Unrealized/realized (gain)/loss on investments	(1,717,954)	(1,206,974)
Changes in operating assets and liabilities:		
Unconditional promise to give	17,335,376	423,926
Due from Opportunity Village ARC	(1,646,396)	(2,335,852)
Prepaid expenses and other	5,831	18,461
Accounts payable	103,099	(38,538)
Accrued expenses	1,741,017	(177,574)
Deferred income	15,050	25,550
Net cash provided by operating activities	2,935,883	5,005,608
Cash flows from investing activities:		
Purchase of property and equipment	(5,248,170)	(261,994)
Proceeds from sale of property and equipment	15,503	-
Proceeds from sale of land held for investment	200,000	-
Net proceeds/payments for investments	(2,875,599)	(1,318,568)
Proceeds from surrender of life insurance policy	-	286,390
Payments on notes receivable	2,029	1,810
Net cash used in investing activities	(7,906,237)	(1,292,362)

OPPORTUNITY VILLAGE FOUNDATION

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

	2019	2018
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investments in endowments	-	80,000
Investments in capital campaign and other programs	5,435,984	426,344
Payments on long-term debt	-	(1,000,000)
Net cash provided by (used in) financing activities	5,435,984	(493,656)
Net increase in cash	465,630	3,219,590
Cash and equivalents, beginning of year	34,828,165	31,608,575
Cash and equivalents, end of year	$ 35,293,795	$ 34,828,165
Supplemental disclosures:		
Cash paid for interest	$ 359,963	$ 317,123
Assets purchased with accounts payable	$ 2,072,113	$ -

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") Accounting Standards Codification ("ASC"). Under the FASB ASC, the Foundation is required to report information regarding its financial position and changes in financial position activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are highly-liquid investments with an initial maturity of three months or less and are stated at the lower of cost or market value. 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 ASC. 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 ASC. Our ownership interest in Roberts Boulder LLC is accounted for as an equity method investment. For further information on investments, see Note 3.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018 was $640,842 and $495,956, respectively. For further information regarding unconditional promises to give, see Note 6.

Impairment of Long-Lived Assets

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

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.

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 ASC, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

- 3 to 5 years for vehicles
- 3 to 10 years for furniture, fixtures and equipment
- 5 to 30 years for buildings and improvements

Revenue Recognition

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, 2019 and 2018 was $3,530,181 and $3,611,374, respectively.

Contributions received are recorded as increases in net assets with or without restrictions, depending on the existence or absence, respectively, of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

During the year ended June 30, 2018, the Foundation had contributions from one donor that represented 76% of contribution revenue and 36% of total revenue recognized.

Advertising

The Foundation expensed all of its advertising costs as they were incurred. Advertising costs totaled $101,576 and $13,616 during the year ended June 30, 2019 and 2018, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

During the year ended June 30, 2019, the Foundation adopted FASB ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which changes the current guidance for asset classification, investment return, expenses, and liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. In the absence of explicit donor restrictions, ASU 2016-14 requires nonprofit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by nonprofit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires nonprofit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2018.

Services Expense Allocation

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, 2019 and 2018, expenses under this agreement were $1,356,562 and $965,929 respectively. These expenses are included in the statement of functional expenses.

Functional Allocation of Expenses

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

Comparative Financial Information and Reclassifications

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ASC, management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified or recorded as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to six years.

Subsequent Events

Subsequent events have been evaluated through November 22, 2019, which is the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

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

Cash and cash equivalents	$ 35,293,795
Investments, current	24,131,104
Unconditional promises to give, current	966,043
Notes receivable, current	2,777
Financial assets available to meet cash needs for general expenditures within one year	$ 60,393,719

To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of $3,000,000 which it could draw upon (Note 13). Additionally, as discussed in Note 9, the Foundation is required to meet certain covenants related to bonds payable.

3. 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 4. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur.

Investments consist of the following:

	As of June 30,	
	2019	2018
Corporate bonds and bond funds	$ 21,091,945	$ 19,008,209
Equity securities	39,551,372	36,985,620
Real estate investment trusts	32,500	32,500
Ownership interest in Roberts Boulder, LLC	-	102,258
Total	60,675,817	56,128,587
Less: current portion	24,146,154	31,446,531
Total long-term investments	$ 36,529,663	$ 24,682,056

During the year ended June 30, 2019, Roberts Boulder, LLC, in which the Foundation holds an ownership interest, sold all asset holdings and, as a result is valued at $0. As of June 30, 2018, the Foundation held land for investment valued at its original donation value of $51,000 and reported in other noncurrent assets. This land was disposed of during the year ended June 30, 2019.

4. 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 held at fair value are listed below. No liabilities are held at fair value.

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2019				
Trading securities	$ 60,643,317	$ -	$ -	$ 60,643,317
Real estate investment trusts	-	32,500	-	32,500
Total	$ 60,643,317	$ 32,500	$ -	$ 60,675,817

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2018				
Trading securities	$ 55,993,829	$ -	$ -	$ 55,993,829
Real estate investment trusts	-	32,500	-	32,500
Total	$ 55,993,829	$ 32,500	$ -	$ 56,026,329

5. ENDOWMENTS

Endowment funds include donor funds restricted in perpetuity, as detailed in Note 11. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions. The Foundation's endowment funds consist of the following assets:

	As of June 30, 2019	As of June 30, 2018
Investments, restricted in perpetuity	$ 7,670,837	$ 7,670,837

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 net assets with donor restrictions (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. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 7,670,837	$ 7,670,837

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 7,670,837	$ 7,670,837
Investment return, net	-	242,474	242,474
Amounts appropriated for expenditure	242,474	(242,474)	-
Transfer of unrestricted endowment assets	(242,474)	-	(242,474)
Endowment net assets, end of year	$ -	$ 7,670,837	$ 7,670,837

5. ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 7,670,837	$ 7,670,837

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 7,590,837	$ 7,590,837
Contributions	-	80,000	80,000
Investment return, net	-	241,208	241,208
Amounts appropriated for expenditure	241,208	(241,208)	-
Transfer of unrestricted endowment assets	(241,208)	-	(241,208)
Endowment net assets, end of year	$ -	$ 7,670,837	$ 7,670,837

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, 2019 and 2018.

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. 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.

6. 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 0.87% and 4%. Amounts are recorded as net assets with donor restrictions until released from restriction. Unconditional promises to give consist of the following:

	As of June 30,	
	2019	2018
Unconditional promises to give for:		
Capital Campaign (1)	$ 19,544,055	$ 37,010,925
Scholarships	150,000	200,000
Magical Forest	257,500	257,500
Land for campus expansion	835,000	835,000
Fuel usage	362,103	380,608
Other	200,000	-
Oakey Campus land lease (See Note 12)	781,607	801,648
Englestad Campus land lease (See Note 12)	5,460,299	5,525,432
Total unconditional promises to give	$ 27,590,564	$ 45,011,113
Receivable in less than one year	$ 6,497,161	$ 8,077,633
Receivable in one to five years	15,107,764	26,325,491
Receivable in more than five years	5,985,639	10,607,989
Total unconditional promises to give	27,590,564	45,011,113
Less: unamortized discount (1)	(4,856,482)	(6,126,444)
Less: allowance for doubtful accounts	(640,842)	(495,956)
Net unconditional promises to give	22,093,240	38,388,713
Less: current portion	(966,043)	(838,108)
Net long-term unconditional promises to give	$ 21,127,197	$ 37,550,605

(1) During the year ended June 30, 2019, an unconditional promise to give from one donor totaling $11,207,987 (net of the related discount of $792,013) was determined to be uncollectible. The financial statements have been updated accordingly.

At June 30, 2019, unconditional promises to give from one donor represented 86% of net unconditional promises to give.

7. 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,	
	2019	2018
Dean Court property in Henderson, Nevada, secured by deed of trust, monthly payments of $336 at 5% interest, matures February 2023.	$ 26,369	$ 28,398
Less: current portion	(2,777)	(2,673)
Total net long-term notes receivable	$ 23,592	$ 25,725

Contractual maturities of notes receivable at June 30, 2019 are as follows:

Fiscal year ending June 30,	
2020	$ 2,777
2021	2,954
2022	3,105
2023	3,263
2024	3,430
Thereafter	10,840
	$ 26,369

8. IN-KIND CONTRIBUTIONS

In-kind contributions are included in contributions and fundraising revenues in the statements of activities. The estimated fair value of recognized in-kind contributions are as follows:

	For the year ended June 30,	
	2019	2018
Donated services:		
Audio visual services	$ 15,249	$ 23,248
	15,249	23,248
Donated goods:		
Supplies	47,496	63,594
Securities	102,677	-
	150,173	63,594
Total in-kind contributions	$ 165,422	$ 86,842

9. 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 debt is recorded on the books of the Foundation as the Foundation has the obligation for repayment. The funds were restricted to various construction projects and were used to finance the costs of construction of the Engelstad Campus and the renovation and improvement of the administrative facilities located at the Oakey Campus.

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

Attached to the bond is a mandatory letter of credit with a separate bank, which is the only collateral for the bonds. The letter of credit is in the amount of the bond proceeds plus 39 days accrued interest. The original letter of credit was replaced with a subsequent letter of credit effective February 10, 2011, which expires February 2020. The subsequent letter of credit of $14,078,225 consists of $13,900,000 principal plus $178,225, which represents 39 days of accrued interest at the maximum rate of 12% per annum. As part of the agreement under the letter of credit, 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, 2019, the Foundation was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2019.

10. DEFERRED BOND ISSUANCE COSTS

Deferred bond issuance costs consist of the following:

	For the year ended June 30,	
	2019	2018
Deferred bond issuance costs	$ 587,669	$ 587,669
Less: accumulated amortization	(351,174)	(337,725)
	$ 236,495	$ 249,944

Amortization (interest) expense was $13,449 for each of the years ended June 30, 2019 and 2018, respectively.

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

Fiscal year ending June 30,	
2020	$ 13,449
2021	13,449
2022	13,449
2023	13,449
2024	13,449
Thereafter	169,250
	$ 236,495

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	As of June 30, 2019	As of June 30, 2018
Subject to expenditure for a specific purpose:		
Capital campaign	$ 55,667,785	$ 54,836,562
Recreation programs	1,394,670	1,468,905
Land for campus expansion	835,000	835,000
Scholarships	578,154	413,911
Fuel usage	321,385	343,396
Magical Forest	239,182	239,182
Various donor-restricted programs	64,533	20,454
	59,100,709	58,157,410
Subject to the passage of time:		
Land leases	1,982,225	2,045,201
Unconditional promises to give	184,918	-
	2,167,143	2,045,201
Subject to endowment spending policy and appropriation, donor-restricted in perpetuity:		
Lied Foundation Endowment (1)	2,229,088	2,229,088
Walters Endowment – Magical Forest	150,000	150,000
Engelstad Scholarship Endowment	4,000,000	4,000,000
Crawford Endowment – Magical Forest	742,500	742,500
Forrest Endowment (1)	399,249	399,249
Nitz Scholarship Endowment	150,000	150,000
	7,670,837	7,670,837
Total net assets with donor restrictions	$ 68,938,689	$ 67,873,448

(1) Earnings from these endowments are unrestricted.

Net assets with donor restrictions were held as follows:

	As of June 30, 2019	As of June 30, 2018
Investments	$ 38,452,718	$ 26,284,478
Unconditional promises to give	22,093,240	38,388,713
Construction in progress	8,392,731	3,200,257
Total net assets with donor restrictions	$ 68,938,689	$ 67,873,448

11. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	For the year ended June 30,	
	2019	2018
Satisfaction of purpose restrictions:		
Capital campaign	$ -	$ 944,594
Recreation programs	74,235	74,290
Fuel usage	22,011	-
	96,246	1,018,884
Expiration of time restrictions:		
Land leases	85,174	85,174
Unconditional promises to give	-	13,895
	85,174	99,069
Total net assets released from donor restrictions	$ 181,420	$ 1,117,953

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 to 49 years with no rental payments and will expire on June 30, 2058. The fair value of donated rent to be received under this lease has been estimated at $20,041 per year and is recorded as an unconditional promise to give, net of present value discount on the books of the Foundation. The related expenses are recorded as grants to Opportunity Village ARC.

In May 2004, the Foundation entered into an agreement with Clark County to lease land, upon which the Foundation constructed a campus to serve people with disabilities, known as the “Engelstad Campus”, which was completed and donated to Opportunity Village ARC in October 2009. The term of the land lease was amended in September 2006 for 99 years with annual rental payments of $1,200 and will expire on April 30, 2103. The fair value of donated rent to be received under this lease has been estimated at $63,933 per year and has been recorded as an unconditional promise to give, net of present value discount, on the books of the Foundation. The related expenses are recorded as grants to Opportunity Village ARC.

Future minimum payments under the operating leases as of June 30, 2019 are as follows:

Fiscal year ending June 30,	
2020	$ 1,200
2021	1,200
2022	1,200
2023	1,200
2024	1,200
Thereafter	94,800
	$ 100,800

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 3.25%. The credit line is unsecured and expires on February 13, 2020. No amount was drawn on this credit line as of June 30, 2019 and 2018.

Severance agreement: In August 2016, the Foundation entered into a separation agreement due to the resignation of a key employee. The agreement stipulates that a total of $623,792 in severance will be paid in three equal annual installments to the former employee. At June 30, 2018, the liability to the Foundation as a result of this agreement was $219,046, included in accrued expenses on the statements of financial position. This agreement was satisfied in full during the year ended June 30, 2019.

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 $4,000,000 and $4,700,000 for the years ended June 30, 2019 and 2018, respectively, to Opportunity Village ARC to cover operating shortfalls through grants and forgiveness of debt.

The Foundation recognized grant disbursements to Opportunity Village ARC totaling $2,337,513 and $3,252,857 for the years ended June 30, 2019 and 2018, respectively. Included in these grant disbursements are the following items:

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

(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 12. As the assets and buildings of the Oakey Campus and Engelstad Campus are owned by Opportunity Village ARC, Opportunity Village ARC recognized $85,174 and $85,174 in in-kind rent expense for the years ended June 30, 2019 and 2018, respectively.

(2) 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 years ended June 30, 2019 and 2018, the Foundation forgave debt due from ARC in the amount of $1,646,396 and $2,180,653, respectively. The Foundation had no amounts due to Opportunity Village ARC as of June 30, 2019 and 2018.