

OPPORTUNITY VILLAGE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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OPPORTUNITY VILLAGE, INC.

**TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

	Page
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	2-3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6-7
NOTES TO FINANCIAL STATEMENTS	8-19

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village, Inc.
Las Vegas, Nevada

We have audited the accompanying financial statements of Opportunity Village, Inc. ("Opportunity Village") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Village as of June 30, 2021, 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 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it was derived.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
November 8, 2021

OPPORTUNITY VILLAGE, INC.**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 203,286	\$ 2,688,978
Cash and cash equivalents, restricted	43,926	102,827
Accounts receivable, net of allowance	2,551,125	2,392,019
Employee receivable	18,906	3,579
Unconditional promises to give	75,166	75,166
Inventory	291,390	353,864
Prepaid expenses and other	234,140	346,077
	<u>3,417,939</u>	<u>5,962,510</u>
Property and equipment:		
Land	1,321,898	1,321,898
Buildings and improvements	49,847,091	37,614,929
Furniture, fixtures and equipment	9,573,818	9,669,796
Vehicles	1,338,367	1,396,455
Construction in progress	-	2,363
Accumulated depreciation	<u>(28,320,117)</u>	<u>(27,703,746)</u>
	33,761,057	22,301,695
Other noncurrent assets:		
Cash and cash equivalents, held for deferred compensation, net of current	48,161	43,309
Deposits and other	69,127	35,161
Unconditional promises to give, net	2,012,444	2,017,134
Down payment assistance receivable	129,050	153,432
Investments, held for deferred compensation	343,423	328,464
Land held for investment	350,000	350,000
	<u>2,952,205</u>	<u>2,927,500</u>
Total assets	<u><u>\$ 40,131,201</u></u>	<u><u>\$ 31,191,705</u></u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 870,715	\$ 591,722
Accrued expenses	1,499,288	1,395,019
Deferred income	81,846	119,448
Current portion of capital lease obligations	109,982	107,210
Paycheck Protection Program loan	1,191,661	-
	<u>3,753,492</u>	<u>2,213,399</u>
Long-term liabilities:		
Deferred compensation	391,584	371,773
Capital lease obligations	213,167	329,808
Deposits	6,000	6,000
Paycheck Protection Program loan	4,392,239	5,583,900
	<u>5,002,990</u>	<u>6,291,481</u>
	8,756,482	8,504,880
Net assets:		
Without donor restrictions	27,932,071	19,047,253
With donor restrictions	3,442,648	3,639,572
	<u>31,374,719</u>	<u>22,686,825</u>
Total liabilities and net assets	<u><u>\$ 40,131,201</u></u>	<u><u>\$ 31,191,705</u></u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
Net Assets without donor restrictions		
Revenues, gains and support:		
Government support for services	\$ 6,462,853	\$ 9,291,784
Contributions	1,416,644	987,899
Service contracts	4,258,000	7,335,734
Thrift store sales, net	1,478,017	1,526,563
General contract sales	7,282,367	6,201,759
Vehicle sales, net of selling fees	5,284	14,418
Rental income	33,700	50,160
Other	42,750	19,270
Grants from Opportunity Village Foundation	3,780,940	1,619,036
Donated assets from Opportunity Village Foundation	13,176,819	-
Release of restrictions	240,850	245,772
Total revenues, gains and support	<u>38,178,224</u>	<u>27,292,395</u>
Expenses and losses:		
Program services:		
Service contracts	5,572,591	8,459,411
Thrift store	1,751,808	2,121,459
Work-training and adult development	17,783,136	17,921,549
Support services:		
Management and general	4,087,365	5,111,985
	<u>29,194,900</u>	<u>33,614,404</u>
Loss on disposal of assets	98,506	-
Total expenses and losses	<u>29,293,406</u>	<u>33,614,404</u>
Change in net assets without donor restrictions	8,884,818	(6,322,009)
Net assets with donor restrictions		
Contributions	43,926	16,659
Release of restrictions	(240,850)	(245,772)
Change in net assets with donor restrictions	<u>(196,924)</u>	<u>(229,113)</u>
Change in net assets	8,687,894	(6,551,122)
Net assets, beginning of year	<u>22,686,825</u>	<u>29,237,947</u>
Net assets, end of year	<u>\$ 31,374,719</u>	<u>\$ 22,686,825</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Program Services			Total Program Services	Support Services	Total 2021	Total 2020
	Service Contracts	Thrift Store	Work-training and Adult Development		Management and General		
Salaries, taxes, and benefits	\$ 2,973,385	\$ 909,415	\$ 10,701,180	\$ 14,583,980	\$ 2,284,481	\$ 16,868,461	\$ 21,263,300
Payments to persons served	1,844,016	176,117	1,377,928	3,398,061	14,411	3,412,472	4,415,011
Depreciation and amortization	21,921	48,651	1,660,519	1,731,091	185,175	1,916,266	1,853,727
Subcontracts and consulting	245,956	3,066	350,899	599,921	434,226	1,034,147	1,079,400
Utilities and telephone	103,376	128,741	629,562	861,679	112,278	973,957	995,918
Supplies, training, and development	206,084	16,287	251,347	473,718	244,043	717,761	888,671
Rent	-	189,004	350,288	539,292	160,340	699,632	768,794
Repairs and maintenance	10,543	83,702	195,361	289,606	85,277	374,883	432,142
Contract services and freight	-	100,149	1,790,155	1,890,304	-	1,890,304	498,004
Transportation	64,219	27,500	274,599	366,318	11,681	377,999	457,655
Professional fees	-	-	18,004	18,004	115,109	133,113	117,106
Bank fees and interest	21	33,768	16,971	50,760	90,026	140,786	83,693
Insurance	82,096	20,095	82,354	184,545	36,601	221,146	230,668
Advertising	4,135	1,023	12,059	17,217	5,670	22,887	6,526
Recruitment	4,804	1,189	15,565	21,558	6,588	28,146	72,381
Conferences, travel, and meals	-	-	56	56	13,549	13,605	75,338
Dues and subscriptions	12,011	523	23,490	36,024	283,485	319,509	277,021
Uniforms	-	-	7,382	7,382	459	7,841	35,751
Customer relations	-	-	474	474	2,001	2,475	26,282
Postage	24	12,578	24,943	37,545	1,965	39,510	37,016
Total expenses	\$ 5,572,591	\$ 1,751,808	\$ 17,783,136	\$ 25,107,535	\$ 4,087,365	\$ 29,194,900	\$ 33,614,404

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
Cash flow from operating activities:		
Change in net assets	\$ 8,687,894	\$ (6,551,122)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	1,916,266	1,853,727
(Gain)/loss on disposal of assets	98,506	(1,518)
Forgiveness of debt from Opportunity Village Foundation	(3,265,134)	(1,164,682)
Granted assets from Opportunity Village Foundation	(13,176,819)	-
Change in allowance for doubtful accounts	(22,818)	-
Unrealized (gain)/loss on investments	(14,959)	63,905
Change in present value discount	(70,476)	(70,619)
Changes in operating assets and liabilities:		
Accounts receivable	(136,288)	1,089,379
Employee receivable	(15,327)	(655)
Unconditional promises to give	75,166	75,166
Inventory	62,474	(101,218)
Prepaid expenses and other	111,937	(128,146)
Deposits and other	(33,966)	(2,830)
Down payment assistance receivable	24,382	-
Accounts payable	278,994	(3,671)
Accrued expenses	104,269	246,238
Due to Opportunity Village Foundation	3,265,134	1,164,682
Deferred income	(37,602)	(1,232,906)
Deferred compensation	19,810	(41,792)
Net cash used in operating activities	(2,128,557)	(4,806,062)
Cash flows from investing activities:		
Purchase of property and equipment	(297,315)	(300,968)
Net cash used in investing activities	(297,315)	(300,968)
Cash flows from financing activities:		
Payments on capital lease obligations	(113,869)	(104,937)
Proceeds from Paycheck Protection Program loan	-	5,583,900
Net cash provided by (used in) financing activities	(113,869)	5,478,963
Net change in cash	(2,539,741)	371,933
Cash and equivalents, beginning of year	2,835,114	2,463,181
Cash and equivalents, end of year	\$ 295,373	\$ 2,835,114

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Summary of cash accounts:		
Cash and cash equivalents	\$ 203,286	\$ 2,688,978
Cash and cash equivalents, restricted	43,926	102,827
Cash and cash equivalents, held for deferred compensation, net of current	48,161	43,309
	<u>\$ 295,373</u>	<u>\$ 2,835,114</u>
Supplemental disclosures:		
Cash paid for interest	\$ 9,880	\$ 13,965

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Opportunity Village, Inc. (“Opportunity Village”), formerly known as Opportunity Village Association for Retarded Citizens, is a not-for-profit organization operated to assist and train adults with intellectual disabilities (“persons served”) 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, Inc. presents its financial statements in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under the FASB ASC, Opportunity Village 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 functional allocation of expenses and the useful lives of depreciable assets.

Cash and Cash Equivalents

Cash and cash equivalents are highly-liquid investments with an initial maturity of three months or less and are stated at the lower of cost or market value. Opportunity Village 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.

Inventory

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

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable result from contracts for the services of persons served by Opportunity Village, including contracts with the government, and are shown net of allowance. Management reviews accounts receivable balances to determine if an allowance for doubtful accounts is necessary. At June 30, 2021 and 2020, the allowance for doubtful accounts was \$55,733 and \$78,551, respectively. As of June 30, 2021 and 2020, 44% of the balance each year was due from one customer.

Impairment of Long-Lived Assets

Opportunity Village follows the provisions of the FASB ASC, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of assets. Opportunity Village believes that no adjustment for impairment is necessary at June 30, 2021 and 2020.

Property and Equipment

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

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

Comparative Financial Information and Reclassifications

The statement of functional expenses includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with the FASB ASC. Accordingly, such information should be read in conjunction with Opportunity Village's financial statements for the year ended June 30, 2020, from which the summarized information was derived. Additionally, certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

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

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

Services Expense Allocation

Opportunity Village provides management services, facilities maintenance, and custodial services to the Opportunity Village Foundation (“Foundation”), a not-for-profit organization organized to raise, invest, and distribute funds to promote the interests of persons with intellectual disabilities and to promote capital campaign drives, under an annual agreement. For the years ended June 30, 2021 and 2020, costs allocated to the Foundation under this agreement were \$2,125,729 and \$1,572,416, respectively. These expenses are excluded from the statement of functional expenses.

Functional Allocation of Expenses

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

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

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

Advertising

Opportunity Village expensed all advertising costs as they were incurred.

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.

Subsequent Events

Subsequent events have been evaluated through November 8, 2021 which is the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Opportunity Village receives program and contribution revenues, and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. Opportunity Village 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 Opportunity Village's financial assets as of June 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

2. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

	As of June 30,	
	2021	2020
Cash and cash equivalents	\$ 247,212	\$ 2,791,805
Accounts receivable, net of allowance	2,551,125	2,392,019
Employee receivable, current	18,906	3,579
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,817,243</u>	<u>\$ 5,187,403</u>

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

3. INVESTMENTS AND FAIR VALUE

Investments consist of the following:

	As of June 30,	
	2021	2020
Equity mutual funds	\$ 222,078	\$ 185,649
Fixed income funds	121,345	142,815
Total investments	<u>\$ 343,423</u>	<u>\$ 328,464</u>

Investment holdings at June 30, 2021 and 2020 were carried at fair value. Fair value is identified as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: “Level 1” inputs, such as quoted prices in an active market for identical assets or liabilities; “Level 2” inputs, which are observable inputs for similar assets; or “Level 3” inputs, which are unobservable inputs.

Investment balances at June 30, 2021 and 2020 were valued using Level 1 inputs:

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2021				
Equity mutual funds	\$ 222,078	\$ -	\$ -	\$ 222,078
Fixed income funds	121,345	-	-	121,345
Total investments	<u>\$ 343,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,423</u>
As of June 30, 2020				
Equity mutual funds	\$ 185,649	\$ -	\$ -	\$ 185,649
Fixed income funds	142,815	-	-	142,815
Total investments	<u>\$ 328,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,464</u>

OPPORTUNITY VILLAGE, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020****4. UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

	As of June 30,	
	2021	2020
Land lease (1)	\$ 6,138,538	\$ 6,213,704
Receivable in less than one year	\$ 75,166	\$ 75,166
Receivable in one to five years	375,829	375,829
Receivable in more than five years	5,687,543	5,762,709
Total unconditional promises to give	6,138,538	6,213,704
Less: unamortized discount (2)	4,050,928	4,121,404
Net unconditional promises to give	2,087,610	2,092,300
Less: current portion	75,166	75,166
Net long-term unconditional promises to give	\$ 2,012,444	\$ 2,017,134

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

5. DOWN PAYMENT ASSISTANCE RECEIVABLE

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

6. DEFERRED COMPENSATION

Opportunity Village has deferred compensation agreements with select employees. As of June 30, 2021, three employees had individual deferred compensation agreements requiring Opportunity Village to make a total of \$50,000 in employer contributions. Contributions will continue to be made each fiscal year during the continuance of employment. The employees are fully vested in all funds placed in the deferred compensation account, including all investment income and losses. The fully vested amount, including the accumulated investment income or losses, will be distributed to the employees (or beneficiaries) at the employees' departure, disability, or death based on the payout structure of the contract. During the year ended June 30, 2018, one individual retired from employment with Opportunity Village and has since made withdrawals according to the payout structure of the contract.

OPPORTUNITY VILLAGE, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020****7. NET ASSETS WITH DONOR RESTRICTIONS**

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

	As of June 30,	
	2021	2020
Subject to expenditure for a specific purpose:		
Pathway to Work program	\$ 18,305	\$ -
Very Important Arts program	-	86,168
Light of the World	25,621	-
AmeriCorps	-	16,659
	<u>43,926</u>	<u>102,827</u>
Subject to the passage of time:		
Residential land lease	2,087,610	2,092,300
Lifetime learning park (Sean's Park)	1,311,112	1,444,445
Total net assets with donor restrictions	<u>\$ 3,442,648</u>	<u>\$ 3,639,572</u>

Net assets with donor restrictions were held as follows:

	As of June 30,	
	2021	2020
Cash and cash equivalents	\$ 43,926	\$ 102,827
Unconditional promises to give	2,087,610	2,092,300
Property and equipment	1,311,112	1,444,445
Total net assets with donor restrictions	<u>\$ 3,442,648</u>	<u>\$ 3,639,572</u>

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

	Years Ended June 30,	
	2021	2020
Satisfaction of purpose restrictions:		
Job Discovery program	\$ -	\$ 12,445
Very Important Arts program	86,168	95,446
AmeriCorps	16,659	-
	<u>102,827</u>	<u>107,891</u>
Expiration of time restrictions:		
Residential land lease	4,690	4,547
Lifetime learning park (Sean's Park)	133,333	133,334
Total net assets released from donor restrictions	<u>\$ 240,850</u>	<u>\$ 245,772</u>

OPPORTUNITY VILLAGE, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEARS ENDED JUNE 30, 2021 AND 2020**8. LEASES**

Capital Leases: Opportunity Village leases assets under long-term agreements that are classified as capital leases. Amortization expense of \$107,696 related to these assets is included in depreciation and amortization expense. Assets under capital lease obligations are as follows:

	As of June 30,	
	2021	2020
Office equipment	\$ 114,908	\$ 114,908
Vehicles	593,006	593,006
	707,914	707,914
Less: accumulated amortization	(381,482)	(273,806)
Total assets under capital lease obligations	<u>\$ 326,432</u>	<u>\$ 434,108</u>

Future minimum lease payments under these capital lease obligations are:

Fiscal year ending June 30,	
2022	\$ 117,108
2023	110,931
2024	92,400
2025	16,013
	<u>336,452</u>
Less: amount representing interest	(13,303)
Less: current portion	<u>(109,982)</u>
Long-term capital lease obligations	<u>\$ 213,167</u>

Operating Leases: Opportunity Village leases assets and equipment under long-term agreements that are classified as operating leases. The expense incurred under these leases for the years ended June 30, 2021 and 2020 was \$881,039 and \$892,564, respectively.

Future minimum payments under these operating leases are:

Fiscal year ending June 30,	
2022	\$ 310,827
2023	84,126
2024	86,850
2025	29,636
2026	29,636
Thereafter	7,409
	<u>\$ 548,484</u>

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 Betty's Village, a residential housing program. The term of the land lease is for 89 years with annual rental payments of \$1,200 and will expire on February 28, 2103. The fair value of donated rent to be received under this lease has been estimated at \$75,166 per year and has been recorded as an unconditional promise to give, net of present value discount on the books of Opportunity Village.

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

8. LEASES (CONTINUED)

Land Leases (Continued): In July 2010, Opportunity Village entered into an agreement to lease land adjacent to the Walters Family Campus, located in Henderson, Nevada. The term of the land lease is for an indefinite amount of time with a base rent of \$1 per month. The fair value of donated rent to be received under this lease has been estimated at \$68,137 per year, which was recorded as an in-kind operating expense as the lease did not have a maturity date. During December 2019, this land was donated to the Foundation. The Foundation continued to donate use of the land to Opportunity Village and the estimated fair value of donated rent was unchanged. During the year ended June 30, 2021 and 2020, Opportunity Village recognized approximately \$0 and \$34,068 in donated rent from the Foundation for the use of this land.

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. 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. As the Foundation is the lessee under this agreement, the land pledge is not recognized by Opportunity Village, however the Oakey Campus is constructed on this land, and the buildings associated with the Oakey Campus are recorded as assets of Opportunity Village.

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 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. As the Foundation is the lessee under this agreement, the land pledge is not recognized by Opportunity Village, however the Engelstad Campus is constructed on this land, and the buildings associated with the Engelstad Campus are recorded as assets of Opportunity Village.

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, 2021 and 2020, 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, 2021 and 2020 were \$177,066 and \$88,906, respectively.

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

9. RETIREMENT PLAN (CONTINUED)

Opportunity Village provides services under several AbilityOne federal contracts, which are subject to the McNamara-O'Hara Service Contract Act of 1965 (Service Contract Act), as amended. The Service Contract Act requires that a contractor pay no less than applicable direct labor wages and provide certain fringe benefits in accordance with geographically specific Wage Determinations issued on no less than an annual basis by the Department of Labor. One of the Service Contract Act's fringe benefits is the provision of Health and Welfare funds. The Health and Welfare rate is paid per hour up to 40 hours in a week or 2,080 hours in a year. To comply with the fringe benefit requirement for Health and Welfare, an employer must calculate and track the Health and Welfare benefit due to each employee subject to the Act and discharge the obligation in one of two ways: 1) apply the funds to a bona fide benefits program for the employee or 2) pay the benefit in cash to the employee on their regular pay day. Health and Welfare funds paid to an employee in cash must be tracked and recorded separate from wages. Opportunity Village 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, 2021 and 2020 were \$127,161 and \$231,102, respectively.

10. COMMITMENTS AND CONTINGENCIES

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

No principal payments are due on the bonds until their maturity date of January 1, 2037. Interest only payments are due monthly, and the variable interest rate is determined by the bond remarketing agent not to exceed 12%. The overall effective rate of interest on the bonds for fiscal year 2021 was 0.29%.

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 April 2022. The subsequent letter of credit of \$13,065,403 consists of \$12,900,000 principal plus \$165,403, which represents 39 days of accrued interest at the maximum rate of 12% per annum. As part of the agreement under the letter of credit, Opportunity Village, combined with the Foundation, must maintain a ratio of unrestricted cash and investments to debt of at least 1.25 to 1.00 at June 30 of each year.

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of June 30, 2021, these compliance requirements were waived by bank holding the related letter of credit. As of June 30, 2020, Opportunity Village was in compliance with these requirements. No amount was drawn on this letter of credit as of June 30, 2021 or 2020.

Line of credit: The Foundation and Opportunity Village 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 April 13, 2022. No amount was drawn on this credit line as of June 30, 2021 and 2020.

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

11. RELATED PARTIES

Opportunity Village has historically relied on the Foundation to provide 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 transferred cash balances totaling \$6,200,000 and \$3,900,000 for the years ended June 30, 2021 and 2020, respectively, to Opportunity Village to cover operating shortfalls.

Opportunity Village recognized grants from the Foundation totaling \$16,957,759 and \$1,619,036 for the years ended June 30, 2021 and 2020, respectively. Included in these grant receipts are the following items:

	For the year ended June 30,	
	2021	2020
Scholarships	\$ 47,535	\$ 41,604
Donations and interest income related to programs	96,105	108,356
In-kind rent (1)	85,174	85,174
Forgiveness of debt due to the Foundation (2)	3,265,134	1,164,682
Capacity building	286,992	219,220
Building improvements	13,176,819	-
Total grant income from the Foundation	<u>\$ 16,957,759</u>	<u>\$ 1,619,036</u>

- (1) The Foundation has been granted by Clark County the right to use the land on which the Oakey Campus and Engelstad Campus were constructed. The land leases are recorded as unconditional promises to give by the Foundation. For additional information, see Note 8. As the assets and buildings of the Oakey Campus and Engelstad Campus are owned by Opportunity Village, Opportunity Village recognized \$85,174 in in-kind rent expense each year for the years ended June 30, 2021 and 2020.
- (2) Related-party receivables and payables are the result of cash payments by the Foundation to Opportunity Village for operating needs, transfers of property and equipment, and payments for management services as described in Note 1. These balances are monitored by the Board of Directors of each respective organization and may be forgiven by each organization as necessary.

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 \$97,663 and \$105,914 for the years ended June 30, 2021 and 2020, respectively.

OPPORTUNITY VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2021 AND 2020

12. PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, Opportunity Village (“Borrower”) qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (“PPP Lender”), for an aggregate principal amount of \$5,583,900 (“PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has an initial term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal and accrued interest of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the organization’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the organization. The organization has applied for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing the earlier of (1) the date that SBA remits the Borrower’s loan forgiveness amount to the Lender or (2) 10 months after the end of the Borrower’s loan forgiveness covered period of 24-weeks, principal and interest payments will be required through the revised maturity date in April 2025. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

Opportunity Village has accounted for the PPP loan as a financial liability in accordance with FASB ASC 470 and accrued interest in the amount of \$66,582 in accordance with the interest method under FASB ASC 835-30. The loan will be recognized as contribution revenue if loan forgiveness is granted by the SBA.

13. WORLDWIDE PANDEMIC

In March of 2020, the World Health Organization declared the spread of Coronavirus Disease (“COVID-19”) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Opportunity Village, COVID-19 may impact various parts of its future operations and financial results. Management believes Opportunity Village is taking appropriate actions to mitigate the potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.