

**OPPORTUNITY VILLAGE
FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**



OPPORTUNITY VILLAGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Village Foundation

Opinion

We have audited the accompanying financial statements of Opportunity Village Foundation (a nonprofit organization) (Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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
October 28, 2022

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,954,323	\$ 11,515,840
Investments	42,749,870	56,492,389
Investments, restricted	2,079,431	2,346,230
Unconditional promises to give, current	134,104	86,000
Notes receivable, current	-	2,187
Prepaid expenses and other	336,147	102,984
	<u>52,253,875</u>	<u>70,545,630</u>
Property and equipment:		
Land	3,019,778	3,019,778
Vehicles	24,663	24,663
Buildings and improvements	710,474	576,662
Furniture, fixtures and equipment	2,178,975	2,140,394
Construction in progress, restricted	132,086	23,982,134
Accumulated depreciation	(2,635,052)	(2,571,007)
	<u>3,430,924</u>	<u>27,172,624</u>
Other noncurrent assets:		
Investments, restricted, noncurrent	13,664,657	11,971,483
Investments, restricted in perpetuity	6,710,125	7,825,087
Unconditional promises to give, net	5,834,164	10,935,222
Notes receivable, net	-	21,925
Other noncurrent assets	60,219	60,219
	<u>26,269,165</u>	<u>30,813,936</u>
Total assets	<u>\$ 81,953,964</u>	<u>\$ 128,532,190</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 20,926	\$ 40,017
Accrued expenses	92,997	90,516
Deferred income	135,199	114,721
	<u>249,122</u>	<u>245,254</u>
Long-term liabilities:		
Long-term debt	11,903,852	12,690,403
Paycheck Protection Program loan	-	310,852
	<u>11,903,852</u>	<u>13,001,255</u>
	<u>12,152,974</u>	<u>13,246,509</u>
Net assets:		
Without donor restrictions	41,246,423	58,139,525
With donor restrictions	28,554,567	57,146,156
	<u>69,800,990</u>	<u>115,285,681</u>
Total liabilities and net assets	<u>\$ 81,953,964</u>	<u>\$ 128,532,190</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
Net assets without donor restrictions		
Revenues, gains, and support:		
Organization and individual contributions	\$ 2,317,158	\$ 3,096,241
Contributions to capital campaign	335,826	-
Fundraising revenues, less direct expenses of \$676,307 and \$68,492, respectively	2,583,046	304,446
Investment return, net	-	16,711,969
Release of restrictions	27,426,627	203,830
Total revenues, gains, and support	<u>32,662,657</u>	<u>20,316,486</u>
Program and support services expenses and losses:		
Program services	33,529,863	16,402,100
Support services:		
Fundraising	1,936,527	1,815,127
Management and general	2,723,750	2,506,448
Total program and support services	<u>38,190,140</u>	<u>20,723,675</u>
Loss on disposal of property and equipment	349,946	1,867
Investment return, net	10,956,476	-
Bad debt loss	59,197	68,383
Total program and support services expenses and losses	<u>49,555,759</u>	<u>20,793,925</u>
Change in net assets without donor restrictions	<u>(16,893,102)</u>	<u>(477,439)</u>
Net assets with donor restrictions		
Revenues, gains, (losses), and support:		
Organization and individual contributions	19,000	54,250
Contributions to capital campaign	-	588,747
Investment return, net	(1,183,962)	1,349,519
Release of restrictions	(27,426,627)	(203,830)
Change in net assets with donor restrictions	<u>(28,591,589)</u>	<u>1,788,686</u>
Change in net assets	(45,484,691)	1,311,247
Net assets, beginning of year	<u>115,285,681</u>	<u>113,974,434</u>
Net assets, end of year	<u>\$ 69,800,990</u>	<u>\$ 115,285,681</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	<u>Support Services</u>			Special Event	<u>Total 2022</u>	<u>Total 2021</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Direct Expenses</u>		
Grants to Opportunity Village	\$ 33,529,863	\$ -	\$ -	\$ -	\$ 33,529,863	\$ 16,402,100
Salaries, taxes, and benefits	-	1,302,186	2,360,398	-	3,662,584	3,342,049
Bank and credit card fees	-	-	62,320	-	62,320	22,243
Interest and bond expenses	-	-	180,126	-	180,126	184,511
Occupancy	-	112,965	-	19,144	132,109	13,461
Depreciation	-	93,976	-	-	93,976	423,131
Insurance	-	104,326	-	-	104,326	82,625
Transportation	-	20,344	-	-	20,344	21,927
Supplies	-	7,482	-	441,351	448,833	35,806
Advertising and community relations	-	40,867	-	3,505	44,372	11,093
Conferences, travel, and meals	-	103,340	-	-	103,340	1,124
Repairs and maintenance	-	57,733	-	-	57,733	12,757
Professional fees	-	650	23,250	-	23,900	27,173
Subcontracts and consulting	-	39,530	97,656	-	137,186	148,597
Miscellaneous	-	53,128	-	212,307	265,435	63,570
Total expenses	<u>\$ 33,529,863</u>	<u>\$ 1,936,527</u>	<u>\$ 2,723,750</u>	<u>\$ 676,307</u>	38,866,447	20,792,167
Less: special event direct expenses					(676,307)	(68,492)
Total program and support services					<u>\$ 38,190,140</u>	<u>\$ 20,723,675</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flow from operating activities:		
Change in net assets	\$ (45,484,691)	\$ 1,311,247
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	93,976	423,131
Paycheck Protection Program loan forgiveness	(310,852)	(377,800)
Amortization of debt issuance costs (interest)	13,449	13,449
Donated securities	(38,230)	(71,533)
(Gain)/loss on disposal of property and equipment	349,946	1,867
Change in present value discount	(204,208)	(230,132)
Provision for bad debt	(288,067)	(390,453)
Contributions restricted for investment in endowments	(69,000)	(104,250)
Payments of promises to give restricted for investment in capital campaign and other programs	(5,063,428)	(5,193,276)
Forgiveness of debt to Opportunity Village	6,218,343	3,265,134
Granted assets to Opportunity Village	27,078,640	12,621,160
Amortization of land pledge	84,039	85,174
Unrealized/realized (gain)/loss on investments	13,606,792	(16,691,794)
Changes in operating assets and liabilities:		
Due from Opportunity Village	(6,218,343)	(3,265,134)
Unconditional promises to give	5,461,190	5,537,850
Prepaid expenses and other	(233,163)	(69,365)
Accounts payable	(19,091)	(274,908)
Accrued expenses	2,481	28,719
Deferred income	20,478	(31,644)
Net cash used in operating activities	(4,999,739)	(3,412,558)
Cash flows from investing activities:		
Purchase of property and equipment	(3,780,862)	(16,869,122)
Purchases of securities	(13,781,555)	(26,794,994)
Proceeds from sales of securities	13,644,099	28,746,416
Payments on notes receivable	24,112	727
Net cash used in investing activities	(3,894,206)	(14,916,973)

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investments in endowments	69,000	104,250
Investments in capital campaign and other programs	5,063,428	5,193,276
Proceeds from Paycheck Protection Program loan	-	310,852
Payments on long-term debt	<u>(800,000)</u>	<u>(1,000,000)</u>
Net cash provided by financing activities	<u>4,332,428</u>	<u>4,608,378</u>
Net change in cash	(4,561,517)	(13,721,153)
Cash and equivalents, beginning of year	11,515,840	25,236,993
Cash and equivalents, end of year	<u>\$ 6,954,323</u>	<u>\$ 11,515,840</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 164,661</u>	<u>\$ 166,791</u>
Assets purchased with accounts payable	<u>\$ -</u>	<u>\$ 11,506</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Opportunity Village Foundation (the “Foundation”) is a not-for-profit organization organized to raise, invest, and distribute funds to promote the interests of persons with intellectual disabilities and to promote capital campaign drives. The Foundation is supported primarily through donor contributions, grants from donors and organizations, and fundraising events held in the Southern Nevada region, such as the Magical Forest 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 one financial institution, 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.

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

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.

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, 2022 and 2021.

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.

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

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 is carried at cost. Donated property and equipment is 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 39 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.

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.

Services Expense Allocation

Opportunity Village, Inc. ("Opportunity Village"), a not-for-profit organization operated to assist and train adults with 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, 2022 and 2021, expenses under this agreement were \$2,360,399 and \$2,125,729, respectively. These expenses are included in salaries taxes and benefits 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, all costs have been directly allocated among the programs and supporting services benefited.

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Foundation expensed all advertising costs as they were incurred.

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 the Foundation's financial statements for the year ended June 30, 2021, from which the summarized information was derived. Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

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 October 28, 2022, which is the date the financial statements were available to be issued.

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation receives investment 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 Foundation 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 Foundation's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	As of June 30,	
	2022	2021
Cash and cash equivalents	\$ 6,954,323	\$ 11,515,840
Investments, current	44,829,301	58,838,619
Unconditional promises to give, current	134,104	86,000
Notes receivable, current	-	2,187
	<u>51,917,728</u>	<u>70,442,646</u>
Less: Board-designated endowments	<u>(434,441)</u>	<u>(500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 51,483,287</u>	<u>\$ 69,942,646</u>

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 11). Additionally, as discussed in Note 7, 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,	
	2022	2021
Corporate bonds and bond funds	\$ 44,611,725	\$ 22,481,768
Equity securities	20,559,858	56,120,921
Real estate investment trusts	32,500	32,500
Total	<u>65,204,083</u>	<u>78,635,189</u>
Less: current portion	<u>(44,829,301)</u>	<u>(58,838,619)</u>
Total noncurrent investments	<u>\$ 20,374,782</u>	<u>\$ 19,796,570</u>

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022				
Trading securities	\$ 65,171,583	\$ -	\$ -	\$ 65,171,583
Real estate investment trusts	-	32,500	-	32,500
Total	<u>\$ 65,171,583</u>	<u>\$ 32,500</u>	<u>\$ -</u>	<u>\$ 65,204,083</u>
As of June 30, 2021				
Trading securities	\$ 78,602,689	\$ -	\$ -	\$ 78,602,689
Real estate investment trusts	-	32,500	-	32,500
Total	<u>\$ 78,602,689</u>	<u>\$ 32,500</u>	<u>\$ -</u>	<u>\$ 78,635,189</u>

5. ENDOWMENTS

Endowment funds include donor funds restricted in perpetuity, as detailed in Note 10, and Board-designated funds. 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,	
	2022	2021
Investments, restricted in perpetuity	\$ 6,710,125	\$ 7,825,087
Investments, Board-designated	434,441	500,000
	<u>\$ 7,144,566</u>	<u>\$ 8,325,087</u>

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

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

5. ENDOWMENTS (CONTINUED)

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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Investments, restricted in perpetuity	\$ -	\$ 6,710,125	\$ 6,710,125
Investments, Board-designated	434,441	-	434,441
	<u>\$ 434,441</u>	<u>\$ 6,710,125</u>	<u>\$ 7,144,566</u>

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 500,000	\$ 7,825,087	\$ 8,325,087
Contributions	-	19,000	19,000
Transfer to endowment fund	-	50,000	50,000
Investment return, net	(65,559)	(1,183,962)	(1,249,521)
Endowment net assets, end of year	<u>\$ 434,441</u>	<u>\$ 6,710,125</u>	<u>\$ 7,144,566</u>

Endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Investments, restricted in perpetuity	\$ -	\$ 7,825,087	\$ 7,825,087
Investments, Board-designated	500,000	-	500,000
	<u>\$ 500,000</u>	<u>\$ 7,825,087</u>	<u>\$ 8,325,087</u>

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

5. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 7,720,837	\$ 7,720,837
Contributions	500,000	54,250	554,250
Transfer to endowment fund	-	50,000	50,000
Investment return, net	4	1,349,519	1,349,523
Amounts appropriated for expenditure	1,349,519	(1,349,519)	-
Transfer of unrestricted endowment assets	(1,349,523)	-	(1,349,523)
Endowment net assets, end of year	<u>\$ 500,000</u>	<u>\$ 7,825,087</u>	<u>\$ 8,325,087</u>

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. As of June 30, 2022, funds with original gift values of \$7,894,087, fair values of \$6,710,125, and deficiencies of \$1,183,962 were reported in net assets with donor restrictions. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As required by the Foundation's endowment policies, no spending from underwater endowments will occur until the original gift value is restored through subsequent increases in fair value. There were no deficiencies as of June 30, 2021.

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. In establishing this policy, the Foundation considers the long-term expected return on its endowment.

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

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 0.16% 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,	
	2022	2021
Unconditional promises to give for:		
Capital campaign	\$ 4,038,744	\$ 9,102,669
Fuel usage	-	347,264
Other	50,000	100,000
Oakey Campus land lease (See Note 10)	721,482	741,524
Engelstad Campus land lease (See Note 10)	5,266,036	5,330,034
Total unconditional promises to give	<u>\$ 10,076,262</u>	<u>\$ 15,621,491</u>
Receivable in less than one year	\$ 4,170,472	\$ 5,217,755
Receivable in one to five years	338,790	4,518,437
Receivable in more than five years	5,567,000	5,885,299
Total unconditional promises to give	10,076,262	15,621,491
Less: unamortized discount	(4,099,842)	(4,304,050)
Less: allowance for doubtful accounts	(8,152)	(296,219)
Net unconditional promises to give	5,968,268	11,021,222
Less: current portion	(134,104)	(86,000)
Net long-term unconditional promises to give	<u>\$ 5,834,164</u>	<u>\$ 10,935,222</u>

Unconditional promises to give from one donor represented 67% and 81% of net unconditional promises to give as of June 30, 2022 and 2021, respectively.

7. BONDS PAYABLE

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 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 2022 was 0.42%.

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

7. BONDS PAYABLE (CONTINUED)

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 2023. The subsequent letter of credit of \$12,255,145 consists of \$12,100,000 principal plus \$155,145, 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 1.10 to 1.00 and a debt service coverage ratio of at least 1.25 to 1.00 at June 30 of each year. As of June 30, 2022, the Foundation was in compliance with these requirements. As of June 30, 2021, these compliance requirements were waived by the bank holding the related letter of credit. No amount was drawn on this letter of credit as of June 30, 2022 and 2021.

8. DEFERRED BOND ISSUANCE COSTS

Deferred bond issuance costs consist of the following:

	For the year ended June 30,	
	2022	2021
Deferred bond issuance costs	\$ 587,669	\$ 587,669
Less: accumulated amortization	(391,521)	(378,072)
	<u>\$ 196,148</u>	<u>\$ 209,597</u>

Amortization (interest) expense was \$13,449 for each of the years ended June 30, 2022 and 2021, respectively.

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

Fiscal year ending June 30,:		
2023	\$	13,449
2024		13,449
2025		13,449
2026		13,449
2027		13,449
Thereafter		128,903
	\$	<u>196,148</u>

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

9. 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. 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.

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.

Future minimum payments under the operating leases are as follows for the year ended June 30,:

2023	\$	1,200
2024		1,200
2025		1,200
2026		1,200
2027		1,200
Thereafter		91,200
	\$	<u>97,200</u>

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	As of June 30,	
	2022	2021
Subject to expenditure for a specific purpose:		
Capital campaign	\$ 16,493,416	\$ 43,567,409
Recreation programs	1,333,886	1,373,231
Scholarships	1,608,901	1,662,650
Fuel usage	150,669	278,083
Magical Forest capital and maintenance	171,619	248,947
Lied training	79,749	88,059
Outings and entertainment	68,492	68,492
	<u>19,906,732</u>	<u>47,286,871</u>
Subject to the passage of time:		
Land leases	1,887,710	1,947,699
Unconditional promises to give	50,000	86,499
	<u>1,937,710</u>	<u>2,034,198</u>
Subject to endowment spending policy and appropriation, donor-restricted in perpetuity:		
Opportunity Village Endowment	66,597	54,250
Lied Foundation Endowment (1)	1,891,374	2,229,088
Walters Endowment – Magical Forest	127,274	150,000
Engelstad Scholarship Endowment	3,393,987	4,000,000
Crawford Endowment – Magical Forest	630,008	742,500
Forrest Endowment (1)	338,761	399,249
Nitz Scholarship Endowment	262,124	250,000
	<u>6,710,125</u>	<u>7,825,087</u>
Total net assets with donor restrictions	<u>\$ 28,554,567</u>	<u>\$ 57,146,156</u>

(1) Earnings from these endowments are unrestricted.

Net assets with donor restrictions were held as follows:

	As of June 30,	
	2022	2021
Investments	\$ 22,454,213	\$ 22,142,800
Unconditional promises to give	5,968,268	11,021,222
Construction in progress	132,086	23,982,134
Total net assets with donor restrictions	<u>\$ 28,554,567</u>	<u>\$ 57,146,156</u>

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

10. 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,	
	2022	2021
Satisfaction of purpose restrictions:		
Capital campaign	\$ 27,073,993	\$ -
Recreation programs	39,345	10,040
Fuel usage	127,414	43,302
Magical Forest capital and maintenance	77,328	-
Scholarships	3,749	-
Lied training	8,310	-
Arts and enrichment	-	58,030
	<u>27,330,139</u>	<u>111,372</u>
Expiration of time restrictions:		
Land leases	59,989	83,685
Unconditional promises to give	36,499	8,773
	<u>96,488</u>	<u>92,458</u>
Total net assets released from donor restrictions	<u>\$ 27,426,627</u>	<u>\$ 203,830</u>

During the year ended June 30, 2022, the Foundation experienced losses on endowment funds resulting in underwater endowments (Note 5). Losses on investments resulting in underwater endowments are as follows:

	For the year ended June 30,	
	2022	2021
Opportunity Village Endowment	6,654	
Lied Foundation Endowment	337,714	-
Walters Endowment – Magical Forest	22,726	-
Engelstad Scholarship Endowment	606,013	-
Crawford Endowment – Magical Forest	112,492	-
Forrest Endowment	60,488	-
Nitz Scholarship Endowment	37,876	-
	<u>1,183,963</u>	<u>-</u>
Investment return, net (loss) on endowment funds	<u>\$ 1,183,963</u>	<u>\$ -</u>

Transfers between net asset classifications for the year ended June 30, 2022 were as follows:

Subject to expenditure for a specific purpose: Scholarships	\$ (50,000)
Subject to endowment spending policy and appropriation, donor-restricted in perpetuity:	
Nitz Scholarship Endowment	<u>50,000</u>
Net effect of transfers between net asset classifications	<u>\$ -</u>

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

11. 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 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: 1) the greater of 2.0% or the prime rate minus 1.0% or 2) the greater of 2.0% or the Daily Simple SOFR plus 2.05%, at the option of the Foundation. The credit line is unsecured and expires on April 13, 2023. No amount was drawn on this credit line as of June 30, 2022 and 2021.

12. RELATED PARTY TRANSACTIONS

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 \$9,000,000 and \$6,200,000 for the years ended June 30, 2022 and 2021, respectively, to Opportunity Village to cover operating shortfalls.

The Foundation recognized grant disbursements to Opportunity Village totaling \$33,529,863 and \$16,402,100 for the years ended June 30, 2022 and 2021, respectively. Included in these grant disbursements are the following items:

	For the year ended June 30,	
	2022	2021
Scholarships	\$ 54,798	\$ 47,535
Donations and interest income related to programs	94,043	96,105
In-kind rent (1)	84,039	85,174
Forgiveness of debt due from Opportunity Village (2)	6,218,343	3,265,134
Capacity building	-	286,992
Building improvements	27,078,640	12,621,160
Total grant disbursements	<u>\$ 33,529,863</u>	<u>\$ 16,402,100</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 9. As the assets and buildings of the Oakey Campus and Engelstad Campus are owned by Opportunity Village, Opportunity Village recognized \$84,039 and \$85,174 in in-kind rent expense for the years ended June 30, 2022 and 2021, respectively.
- (2) Related-party receivables and payables are the result of cash payments between the Foundation and 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 Boards of each respective organization and may be forgiven by each organization as necessary.

OPPORTUNITY VILLAGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED JUNE 30, 2022 AND 2021

13. DEFERRED COMPENSATION

During the year ended June 30, 2021, the only employee with which the Foundation had a deferred compensation agreement separated from employment with the organization. The employee's fully vested balance, including the accumulated investment income or losses, was distributed to the employee at that time. During the year ended June 30, 2022, there were no deferred compensation arrangements with Foundation employees.

14. PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2021, the Foundation (the "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 (the "PPP Lender"), for an aggregate principal amount of \$310,257 (the "PPP Loan"). This was the second PPP Loan received by the Foundation. The PPP Loan bore interest at a fixed rate of 1.0% per annum, had a term of five years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal and accrued interest of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Foundation's request to the extent that the PPP Loan proceeds were 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. During the year ended June 30, 2022, the Foundation applied for and was granted forgiveness of the PPP Loan. The Foundation recognized contribution revenue for the total amount forgiven by the SBA, which included accrued interest through the date of forgiveness.

On April 15, 2020, the Foundation qualified for and received a PPP Loan for an aggregate principal amount of \$377,800 under the same terms and conditions as those noted above. This PPP loan was approved for forgiveness by the SBA during the year ended June 30, 2021. The Foundation recognized contribution revenue for the total amount forgiven by the SBA, which included accrued interest through the date of forgiveness.

15. RISKS AND UNCERTAINTIES

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 the Foundation, COVID-19 may impact various parts of its future operations and financial results. Management believes the Foundation 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.