

OPPORTUNITY VILLAGE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

The logo consists of a dark blue square with a white border. Inside the square, the letters "HRC" are written in a white, bold, sans-serif font.

HRC

OPPORTUNITY VILLAGE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Opportunity Village, Inc.

Opinion

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, 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 referred to above present fairly, in all material respects, the financial position of Opportunity Village 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 Opportunity Village 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 Opportunity Village’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 Opportunity Village'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 Opportunity Village'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 Opportunity Village's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 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, INC.**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 816,070	\$ 203,286
Cash and cash equivalents, restricted	119,921	43,926
Accounts receivable, net of allowance	2,658,300	2,551,125
Employee receivable	-	18,906
Unconditional promises to give	75,166	75,166
Inventory	216,342	291,390
Prepaid expenses and other	285,204	234,140
	<u>4,171,003</u>	<u>3,417,939</u>
Property and equipment:		
Land	1,321,898	1,321,898
Buildings and improvements	76,655,477	49,847,091
Furniture, fixtures and equipment	9,866,373	9,573,818
Vehicles	1,376,693	1,338,367
Accumulated depreciation	<u>(31,291,271)</u>	<u>(28,320,117)</u>
	57,929,170	33,761,057
Other noncurrent assets:		
Cash and cash equivalents, held for deferred compensation	80,316	48,161
Unconditional promises to give, net	2,007,556	2,012,444
Down payment assistance receivable	99,850	129,050
Deposits and other	44,747	69,127
Investments, held for deferred compensation	207,346	343,423
Land held for investment	350,000	350,000
	<u>2,789,815</u>	<u>2,952,205</u>
Total assets	<u>\$ 64,889,988</u>	<u>\$ 40,131,201</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.**STATEMENTS OF FINANCIAL POSITION (CONTINUED)****JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 479,891	\$ 870,715
Accrued expenses	1,538,385	1,499,288
Deferred income	12,557	81,846
Capital lease obligations	111,445	109,982
Paycheck Protection Program loan	254,598	1,191,661
	<u>2,396,876</u>	<u>3,753,492</u>
Long-term liabilities:		
Deferred compensation	287,662	391,584
Capital lease obligations, net of current	262,728	213,167
Deposits payable	48,750	6,000
Paycheck Protection Program loan, net of current	473,744	4,392,239
	<u>1,072,884</u>	<u>5,002,990</u>
	3,469,760	8,756,482
Net assets:		
Without donor restriction	58,039,806	27,932,071
With donor restriction	3,380,422	3,442,648
	<u>61,420,228</u>	<u>31,374,719</u>
Total liabilities and net assets	<u>\$ 64,889,988</u>	<u>\$ 40,131,201</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
Net assets without donor restrictions		
Revenues, gains and support:		
Government support for services	\$ 6,790,311	\$ 6,462,853
Contributions	1,301,393	1,416,644
Federal grant revenue	5,801,784	-
Betty's Village rental income	736,625	15,300
Service contracts	5,683,608	4,258,000
Thrift store sales, net	1,509,208	1,478,017
General contract sales	4,945,800	7,273,247
Vehicle sales, net of selling fees	6,825	5,284
Rental income	58,600	33,700
Other	38,049	36,570
Grants from Opportunity Village Foundation	6,451,223	3,780,940
Donated assets from Opportunity Village Foundation	27,078,640	13,176,819
Release of restrictions	138,221	240,850
Total revenues, gains and support	<u>60,540,287</u>	<u>38,178,224</u>
Expenses and losses:		
Program services:		
Service contracts	6,612,748	5,572,591
Thrift store	1,681,014	1,751,808
Work-training and adult development	15,950,859	17,783,136
Residential	1,763,031	-
Support services:		
Management and general	4,416,967	4,087,365
	<u>30,424,619</u>	<u>29,194,900</u>
Loss on disposal of assets	7,933	98,506
Total expenses and losses	<u>30,432,552</u>	<u>29,293,406</u>
Change in net assets without donor restrictions	30,107,735	8,884,818
Net assets with donor restrictions		
Contributions	75,995	43,926
Release of restrictions	(138,221)	(240,850)
Change in net assets with donor restrictions	<u>(62,226)</u>	<u>(196,924)</u>
Change in net assets	30,045,509	8,687,894
Net assets, beginning of year	31,374,719	22,686,825
Net assets, end of year	<u>\$ 61,420,228</u>	<u>\$ 31,374,719</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

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

	Program Services				Total Program Services	Support Services	Total 2022	Total 2021
	Service Contracts	Thrift Store	Work-training and Adult Development	Residential		Management and General		
Salaries, taxes, and benefits	\$ 3,541,228	\$ 796,778	\$ 9,724,015	\$ 196,804	\$ 14,258,825	\$ 2,575,263	\$ 16,834,088	\$ 16,868,461
Payments to persons served	2,360,546	262,482	1,285,312	-	3,908,340	32,462	3,940,802	3,412,472
Depreciation and amortization	15,904	48,651	2,015,128	947,735	3,027,418	257,280	3,284,698	1,916,266
Subcontracts and consulting	202,932	4,569	371,373	282	579,156	439,330	1,018,486	1,034,147
Utilities and telephone	91,565	126,431	639,438	363,510	1,220,944	141,295	1,362,239	973,957
Supplies, training, and development	200,390	27,878	299,540	6,710	534,518	166,986	701,504	717,761
Rent	-	191,860	362,385	157	554,402	159,205	713,607	699,632
Repairs and maintenance	14,172	83,621	292,205	61,844	451,842	96,606	548,448	374,883
Contract services and freight	-	15,411	447,486	-	462,897	-	462,897	1,890,304
Transportation	81,172	33,607	319,307	-	434,086	13,874	447,960	377,999
Professional fees	118	-	470	124,447	125,035	83,084	208,119	133,113
Bank fees and interest	39	51,946	14,930	358	67,273	54,858	122,131	140,786
Insurance	86,289	23,402	84,813	50,965	245,469	46,354	291,823	221,146
Advertising	3,618	825	8,882	1,621	14,946	6,374	21,320	22,887
Recruitment	8,488	1,935	21,116	-	31,539	14,957	46,496	28,146
Conferences, travel, and meals	-	407	2,005	-	2,412	46,230	48,642	13,605
Dues and subscriptions	5,780	50	23,922	4,707	34,459	268,200	302,659	319,509
Uniforms	380	-	10,468	446	11,294	2,548	13,842	7,841
Customer relations	-	-	2,847	3,312	6,159	6,527	12,686	2,475
Postage	127	11,161	25,217	133	36,638	5,534	42,172	39,510
Total expenses	\$ 6,612,748	\$ 1,681,014	\$ 15,950,859	\$ 1,763,031	\$ 26,007,652	\$ 4,416,967	\$ 30,424,619	\$ 29,194,900

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:		
Change in net assets	\$ 30,045,509	\$ 8,687,894
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	3,284,698	1,916,266
Loss on disposal of assets	7,933	98,506
Donated assets	(39,694)	-
Forgiveness of debt from Opportunity Village Foundation	(6,218,343)	(3,265,134)
Donated assets from Opportunity Village Foundation	(27,078,640)	(13,176,819)
Forgiveness of Paycheck Protection Program loan Change in allowance for doubtful accounts	(4,838,421)	-
Unrealized (gain)/loss on investments	(33,746)	(22,818)
Change in present value discount	-	(14,959)
	(70,278)	(70,476)
Changes in operating assets and liabilities:		
Accounts receivable	(73,429)	(136,288)
Employee receivable	18,906	(15,327)
Unconditional promises to give	75,166	75,166
Inventory	75,048	62,474
Prepaid expenses and other	(51,064)	111,937
Deposits and other	24,380	(33,966)
Down payment assistance receivable	29,200	24,382
Accounts payable	(390,824)	278,994
Accrued expenses	127,136	104,269
Due to Opportunity Village Foundation	6,218,343	3,265,134
Deferred income	(69,289)	(37,602)
Deferred compensation	32,155	19,810
Deposits	42,750	-
Net cash provided by (used in) operating activities	<u>1,117,496</u>	<u>(2,128,557)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(172,235)	(297,315)
Net cash used in investing activities	<u>(172,235)</u>	<u>(297,315)</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

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

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:		
Payments on capital lease obligations	(119,151)	(113,869)
Payments on Paycheck Protection Program loan	(105,176)	-
Net cash used in financing activities	<u>(224,327)</u>	<u>(113,869)</u>
Net change in cash	720,934	(2,539,741)
Cash and equivalents, beginning of year	295,373	2,835,114
Cash and equivalents, end of year	<u>\$ 1,016,307</u>	<u>\$ 295,373</u>
Summary of cash accounts:		
Cash and cash equivalents	\$ 816,070	\$ 203,286
Cash and cash equivalents, restricted	119,921	43,926
Cash and cash equivalents, held for deferred compensation	80,316	48,161
	<u>\$ 1,016,307</u>	<u>\$ 295,373</u>
Supplemental disclosures:		
Assets acquired through capital lease obligations	<u>\$ 209,287</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 10,788</u>	<u>\$ 9,880</u>

See accompanying notes to financial statements

OPPORTUNITY VILLAGE, INC.

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

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 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.

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, 2022 AND 2021

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, 2022 and 2021, the allowance for doubtful accounts was \$21,987 and \$55,733, respectively. As of June 30, 2022 and 2021, 26% and 44% of the balance 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, 2022 and 2021.

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, 2021, from which the summarized information was derived. Additionally, certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

OPPORTUNITY VILLAGE, INC.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Betty's Village is an inclusive residential housing community for people of diverse abilities owned by Opportunity Village. Housing units are leased to residents with payments due on a monthly basis. The resulting revenue is recognized during the period for which the payment entitles the resident to occupy the property.

Opportunity Village obtains government support from various government agencies for services provided to members served. Revenue from providing these services is recognized in the period in which the services are rendered.

Opportunity Village enters into contracts with various public and private agencies throughout the community to provide services as part of its work-training program, the purpose of which is to facilitate the gainful employment of members served. Revenue from providing these services is recognized in the period in which the services are rendered.

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.

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, 2022 and 2021, costs allocated to the Foundation under this agreement were \$2,360,399 and \$2,125,729, 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, 2022 AND 2021

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.

New Accounting Pronouncement

During the year ended June 30, 2022, Opportunity Village adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021. This update is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Adoption of this ASU had no effect on the balance of net assets for any period presented.

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, INC.

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

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, 2022 and 2021, 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	\$ 935,992	\$ 247,212
Accounts receivable, net of allowance	2,658,300	2,551,125
Employee receivable, current	-	18,906
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,594,292</u>	<u>\$ 2,817,243</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 12). 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,	
	2022	2021
Equity mutual funds	\$ 149,345	\$ 222,078
Fixed income funds	58,001	121,345
Total investments	<u>\$ 207,346</u>	<u>\$ 343,423</u>

Investment holdings at June 30, 2022 and 2021 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.

OPPORTUNITY VILLAGE, INC.

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

3. INVESTMENTS AND FAIR VALUE (CONTINUED)

Investment balances at June 30, 2022 and 2021 were valued on a recurring basis using Level 1 inputs:

	Level 1	Level 2	Level 3	Total Fair Value
As of June 30, 2022				
Equity mutual funds	\$ 149,345	\$ -	\$ -	\$ 149,345
Fixed income funds	58,001	-	-	58,001
Total investments	<u>\$ 207,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,346</u>
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>

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	As of June 30,	
	2022	2021
Land lease (1)	<u>\$ 6,063,372</u>	<u>\$ 6,138,538</u>
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	5,612,377	5,687,543
Total unconditional promises to give	6,063,372	6,138,538
Less: unamortized discount (2)	(3,980,650)	(4,050,928)
Net unconditional promises to give	2,082,722	2,087,610
Less: current portion	(75,166)	(75,166)
Net long-term unconditional promises to give	<u>\$ 2,007,556</u>	<u>\$ 2,012,444</u>

- (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 9.
- (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.

OPPORTUNITY VILLAGE, INC.

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

6. DEFERRED COMPENSATION

Opportunity Village has deferred compensation agreements with select employees. During the year ended June 30, 2022, 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. During the year ended June 30, 2022, another individual separated from employment and will make withdrawals according to the payout structure of the contract.

7. PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, Opportunity Village 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 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, had 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 was subject to forgiveness under the Paycheck Protection Program upon Opportunity Village'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. 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.

In January 2022, Opportunity Village received forgiveness for a portion of the PPP Loan from the SBA totaling \$4,838,421, inclusive of accrued interest of \$88,039, recorded as grant revenue. The remaining principal balance of \$833,518 is payable at \$21,726 monthly over 39 months including interest at 1% per annum.

	As of June 30,	
	2022	2021
PPP loan	\$ 728,342	\$ 5,583,900
Less: current maturities	(254,598)	(1,191,661)
	<u>\$ 473,744</u>	<u>\$ 4,392,239</u>

Future maturities of the PPP loan payable are as follows:

Fiscal year ending June 30,	
2023	\$ 254,598
2024	257,147
2025	216,597
	<u>\$ 728,342</u>

OPPORTUNITY VILLAGE, INC.

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

8. 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:		
Pathway to Work program	\$ 18,305	\$ 18,305
Light of the World	53,785	25,621
Client database	19,446	-
Job Discovery Program	28,385	-
	<u>119,921</u>	<u>43,926</u>
Subject to the passage of time:		
Residential land lease	2,082,722	2,087,610
Lifetime learning park (Sean's Park)	1,177,779	1,311,112
Total net assets with donor restrictions	<u>\$ 3,380,422</u>	<u>\$ 3,442,648</u>

Net assets with donor restrictions were held as follows:

	As of June 30,	
	2022	2021
Cash and cash equivalents	\$ 119,921	\$ 43,926
Unconditional promises to give	2,082,722	2,087,610
Property and equipment	1,177,779	1,311,112
Total net assets with donor restrictions	<u>\$ 3,380,422</u>	<u>\$ 3,442,648</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,	
	2022	2021
Satisfaction of purpose restrictions:		
Very Important Arts program	-	86,168
AmeriCorps	-	16,659
	-	<u>102,827</u>
Expiration of time restrictions:		
Residential land lease	4,888	4,690
Lifetime learning park (Sean's Park)	133,333	133,333
Total net assets released from donor restrictions	<u>\$ 138,221</u>	<u>\$ 240,850</u>

OPPORTUNITY VILLAGE, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEARS ENDED JUNE 30, 2022 AND 2021**9. LEASES**

Capital Leases: Opportunity Village leases assets under long-term agreements that are classified as capital leases. Amortization expense of \$77,389 related to these assets is included in depreciation and amortization expense. Assets under capital lease obligations are as follows:

	As of June 30,	
	2022	2021
Office equipment	\$ 93,375	\$ 114,908
Vehicles	624,203	593,006
	717,578	707,914
Less: accumulated amortization	(440,454)	(381,482)
Total assets under capital lease obligations	<u>\$ 277,124</u>	<u>\$ 326,432</u>

Future minimum lease payments under these capital lease obligations are:

Fiscal year ending June 30,	
2023	\$ 120,516
2024	120,516
2025	61,116
2026	41,316
2027	36,222
Thereafter	16,484
	<u>396,170</u>
Less: amount representing interest	(21,997)
Less: current portion	(111,445)
Long-term capital lease obligations	<u>\$ 262,728</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, 2022 and 2021 was \$834,078 and \$881,039, respectively.

Future minimum payments under these operating leases are:

Fiscal year ending June 30,	
2023	\$ 467,773
2024	493,184
2025	440,466
2026	385,701
2027	158,659
	<u>1,945,783</u>

OPPORTUNITY VILLAGE, INC.

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

9. LEASES (CONTINUED)

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.

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.

10. 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, 2022 and 2021, 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, 2022 and 2021 were \$143,319 and \$177,066, respectively.

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

OPPORTUNITY VILLAGE, INC.

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

10. RETIREMENT PLAN (CONTINUED)

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, 2022 and 2021 were \$154,185 and \$127,161, respectively.

11. IN-KIND CONTRIBUTIONS

Opportunity Village receives a variety of in-kind contributions. Revenues reported as thrift store and vehicle sales result from assets unconditionally donated and sold to the general public at Opportunity Village's thrift store outlet or via third-party broker, respectively. The recorded value of these assets is determined by the sale price. Thrift store sales are shown net of markdowns and vehicle sales are shown net of selling fees.

In-kind contributions from the Foundation (Note 13) consist of the Betty's Village building and improvements and in-kind rent from the donated use of land. Betty's Village assets are utilized in Opportunity Village's residential program and were recorded at the estimated fair value on the date of donation. The land houses buildings used in various other programs and the revenue recorded is based on the estimated value of the land lease recorded by the Foundation, which is based on the estimated fair value of the land at inception of the lease.

OPPORTUNITY VILLAGE, INC.

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

12. COMMITMENTS AND CONTINGENCIES

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.

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.

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 2022 was 0.42%.

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, Opportunity Village, combined with the Foundation, 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, Opportunity Village 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.

OPPORTUNITY VILLAGE, INC.

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

13. 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 \$9,000,000 and \$6,200,000 for the years ended June 30, 2022 and 2021, respectively, to Opportunity Village to cover operating shortfalls.

Opportunity Village recognized grants from the Foundation totaling \$33,529,863 and \$16,957,759 for the years ended June 30, 2022 and 2021, respectively. Included in these grant receipts 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 to the Foundation (2)	6,218,343	3,265,134
Capacity building	-	286,992
Building and improvements	27,078,640	13,176,819
Total grant income from the Foundation	<u>\$ 33,529,863</u>	<u>\$ 16,957,759</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 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 \$112,250 and \$97,663 for the years ended June 30, 2022 and 2021, respectively.

14. 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 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.