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OPPORTUNITY KNOCKS INCORPORATED

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2019

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OPPORTUNITY KNOCKS INCORPORATED
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunity Knocks Incorporated

We have audited the accompanying financial statements of Opportunity Knocks Incorporated (an Illinois not-for-profit organization) which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Knocks Incorporated, as of June 30, 2019 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.

Emphasis of Matter - Accounting Pronouncement

As discussed in Note 2 to the financial statements, the entity adopted new accounting guidance as issued by the Financial Accounting Standards Board under Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Sikich LLP

Naperville, Illinois
January 14, 2020

FINANCIAL STATEMENTS

OPPORTUNITY KNOCKS INCORPORATED

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	179,164
Accounts receivable, net		26,688
Pledges receivable, net		20,800
Total current assets		226,652
FIXED ASSETS		
Vehicles		158,352
Furniture and equipment		91,338
Leasehold improvements		21,284
Subtotal		270,974
Less accumulated depreciation and amortization		198,306
Net fixed assets		72,668
TOTAL ASSETS	$	299,320

(This statement is continued on the following page.)

OPPORTUNITY KNOCKS INCORPORATED

STATEMENT OF FINANCIAL POSITION (Continued)

June 30, 2019

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	4,057
Deferred program revenue		4,375
Accrued payroll		21,873
Accrued liabilities		1,790
Total current liabilities		32,095
Total liabilities		32,095
NET ASSETS		
With donor restrictions		20,800
Without donor restrictions		246,423
Total net assets		267,223
TOTAL LIABILITIES AND NET ASSETS	$	299,318

OPPORTUNITY KNOCKS INCORPORATED

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Special events (net of costs of direct benefits to donors of $228,960)	$ 261,261	$ -	$ 261,261
Grants and contributions	330,442	20,800	351,242
Program income	230,516	-	230,516
In-kind donations	8,231	-	8,231
Interest income	222	-	222
Net assets released from restrictions	-	-	-
Total public support and revenues	830,672	20,800	851,472
EXPENSES			
Program services			
Life Shop	211,934	-	211,934
After Opps	193,634	-	193,634
Social Enterprise	213,144	-	213,144
Management and general	184,871	-	184,871
Fundraising	76,676	-	76,676
Total expenses	880,259	-	880,259
CHANGE IN NET ASSETS	(49,587)	20,800	(28,787)
NET ASSETS, BEGINNING OF YEAR	296,010	-	296,010
NET ASSETS, END OF YEAR	$ 246,423	$ 20,800	$ 267,223

See accompanying notes to financial statements.

OPPORTUNITY KNOCKS INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services							
	Life Shop	After Opps	Social Enterprise	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
EXPENSES								
Payroll expense	$ 142,550	$ 120,619	$ 111,688	$ 374,857	$ 105,411	$ 68,000	$ -	$ 548,268
Fundraising events, primarily catering	-	-	-	-	-	-	154,650	154,650
Fundraising events, auction	-	-	-	-	-	-	74,310	74,310
Payroll tax expense	13,361	13,361	13,361	40,083	3,563	891	-	44,537
Supplies	11,012	10,715	42,036	63,763	2,046	1,661	-	67,470
Employee benefits	10,431	10,431	10,431	31,293	3,477	-	-	34,770
Advertising and promotion	60	250	-	310	5,437	3	-	5,750
Automobile expense	1,635	1,635	1,636	4,906	-	-	-	4,906
Bad debt expense	1,286	1,286	1,286	3,858	4,000	-	-	7,858
Board development	-	-	-	-	1,835	-	-	1,835
Contributions and donations	-	-	-	-	-	645	-	645
Depreciation	8,104	8,104	8,104	24,312	2,701	-	-	27,013
Farming	-	-	4,191	4,191	72	-	-	4,263
Fees	-	-	-	-	17,040	5,310	-	22,350
Insurance expense	8,240	8,240	8,240	24,720	2,747	-	-	27,467
License and fees	-	545	-	545	3,994	-	-	4,539
Occupancy	11,020	11,020	11,020	33,060	6,654	-	-	39,714
Office expense	45	217	-	262	10,825	-	-	11,087
Postage	-	-	-	-	1,378	-	-	1,378
Printing and copying	1,151	1,151	1,151	3,453	-	-	-	3,453
Professional services	-	1,361	-	1,361	12,169	-	-	13,530
Repairs and maintenance	-	-	-	-	523	-	-	523
Staff development	3,000	3,082	-	6,082	655	166	-	6,903
Travel	-	1,617	-	1,617	98	-	-	1,715
Volunteer expenses	39	-	-	39	246	-	-	285
TOTAL EXPENSES	$ 211,934	$ 193,634	$ 213,144	$ 618,712	$ 184,871	$ 76,676	$ 228,960	$ 1,109,219

See accompanying notes to financial statements.

OPPORTUNITY KNOCKS INCORPORATED

STATEMENT OF CASH FLOWS

For the Year June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(28,787)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation		27,014
Bad debt		7,858
Changes in certain assets and liabilities		
Accounts receivable		(12,737)
Pledges receivable		(18,800)
Grants receivable		17,000
Prepaid expenses		5,175
Accounts payable		(1,314)
Deferred program revenues		3,036
Accrued payroll		(2,470)
Accrued liabilities		647
Net cash from operating activities		(3,378)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of fixed assets		(5,586)
Net cash from investing activities		(5,586)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,964)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		188,126
CASH AND CASH EQUIVALENTS, END OF YEAR	$	179,162
NONCASH OPERATING ACTIVITIES		
Donated fixed assets	$	3,731
TOTAL NONCASH OPERATING ACTIVITIES	$	3,731

See accompanying notes to financial statements.

1. NATURE OF ORGANIZATION

Opportunity Knocks Incorporated (the Organization) is an Illinois not-for-profit corporation founded in March 2009. The Organization's purpose is to provide opportunities and resources for individuals with developmental disabilities so they may pursue their educational, occupational, and social interests. A summary of the Organization's program services are described below:

After Opps

After Opps is an after-school/after-work program that offers social and recreational activities of all kinds. Each session's activities are determined through a collaborative partnership between participants and Organization's Staff.

Life Shop

Life Shop is an alternative-style day program that takes a Warrior centered approach to adult life in the community. Designed for Warriors older than age 22, focusing on building life skills, health and wellness, community connections and vocational skills.

Social Enterprise

Social Enterprise is a Knockout Brand which has three initiatives that aims to sustain meaningful and gainful vocational skill-building opportunities while also producing a revenue stream to support Organization's operations. The enterprises include Knockout Pickles, Knockout Catering and Knockout Farm.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP). Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Organization and changes herein are classified and reported as follows:

Net assets without donor restrictions include general and board-designated net assets of the Organization and are not subject to donor-imposed restrictions. The net assets may be used at the discretion of management to support the Organization's purposes and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

Cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes. The Organization does not have deposits at any financial institution in excess of federally insured limit.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through a charge to net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Accounts are considered delinquent when not collected within negotiated terms.

Allowance for Doubtful Accounts

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes the amount of the allowance for doubtful accounts based on history of past write-offs and collections and current credit conditions. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The allowance for doubtful accounts is $500.

Pledges Receivable

When a donor has unconditionally promised to contribute funds in future periods, the Organization recognizes the fair value of the pledge receivable. Pledges expected to be collected within one year are recorded as a contribution and a receivable at net realizable value, which approximates fair value. Pledges expected to be collected after one year are recorded as a contribution and a receivable at the present value of the expected future cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Property and equipment are stated at cost. The Organization's capitalization threshold is $500. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

	Years
Vehicle	5 - 6
Furniture and equipment	5 - 10
Leasehold improvements	Shorter of useful life or lease term

Depreciation and amortization expense is $27,014.

In-Kind Donations

Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills which would need to be purchased if they were not donated. The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. No amounts have been recognized for these services as the criteria for recognition of such volunteer efforts have not been satisfied.

Donated goods are recognized as a contribution at their estimated fair value when donated to the Organization. The Organization received donated goods for its several auctions valued at $74,310. The value of the donated goods for auctions is included in the special events revenue and special event expenses on the statement of activities

Donated vehicles are recognized as contributions at their estimated fair value when donated to the Organization. The Organization received a donated vehicle for organizational use valued at $3,731. The value of the donated vehicle is included in the in-kind revenues in the statement of activities and in the vehicles on the statement of financial position

Donated space is recognized as a contribution at estimated fair value when donated to the Organization. The Organization received donated space valued at $4,500. The value of the donated space is included in the in-kind revenue and occupancy expenses on the statement of functional expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met and are reported as with donor restrictions.

Special event revenues are recognized when the underlying event occurs.

Program revenue is recognized when earned for the period.

Grant revenue is recognized when received for the period.

Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. At June 30, 2019, the Organization has no costs associated with direct-response advertising. Advertising expense is $5,750.

Functional Expense Allocation

Expenses are recognized when they are incurred. The costs of providing program service and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, rent and utilities on the basis of square footage, as well as salaries and benefits on the basis of time and effort.

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code as other than a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all USGAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. ASU No. 2014-09, as amended, is effective for nonpublic companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. Management is currently assessing the impact of this new standard.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842)*: *Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize accumulative-effect adjustment to the opening balance of retained earning in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods.

FASB has issued ASU No. 2016-14, *Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications, and cash flows. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has adopted ASU No. 2016-14 and has applied the changes to these financial statements accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

FASB has issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as a resource provider. Early adoption is permitted. The Organization is currently assessing the impact of this new standard.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization considers it appropriate that earnings from contributions with and without donor restrictions are for use in current programs which are ongoing, major, and central to its annual operations and are also available to meet cash needs for general expenditures. General expenditures include management and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

The Organization manages its cash available to meet general expenditures with the following guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

Cash and cash equivalents	$ 179,164
Accounts receivable, net	26,688
Pledges receivable, net	20,800
Total financial assets available within one year	$ 226,652
Debt collateral pledged	(50,000)
FINAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL USE WITHIN ONE YEAR	$ 176,652

4. LEASE COMMITMENTS

The Organization leases its facility under a five-year noncancelable operating lease that commenced on July 1, 2016. Rent expense is $33,600.

Future minimum rental payments under the terms of the lease is as follows:

For the Year Ending June 30,	
2020	$ 33,600
2021	33,600
TOTAL	$ 67,200

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following time purposes:

Pledges receivable	$ 20,800

6. LINE OF CREDIT

The Organization has a $50,000 line of credit with Community Bank of Oak Park River Forest. The line of credit has an interest rate of 4.5% and matures November 1, 2019. The line of credit is secured by assets of the Organization. No advances have been taken on the line of credit during the year.

7. RETIREMENT PLAN

The Company sponsors a 403(b) plan for certain employees. The Organization does not provide a matching contribution.

8. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 14, 2020, the date the financial statements were available to be issued.