

OPPORTUNITY KNOCKS INCORPORATED

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

Year Ended June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Opportunity Knocks Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Opportunity Knocks Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of. 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wieland & Company, Inc.

October 26, 2021

OPPORTUNITY KNOCKS INCORPORATED

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 526,373	\$ 429,137
Accounts receivable, net	26,669	3,839
Unconditional promises to give with donor restrictions	15,000	30,000
Unconditional promises to give without donor restrictions	<u>17,000</u>	<u>18,000</u>
TOTAL CURRENT ASSETS	585,042	480,976
FIXED ASSETS		
Vehicles	158,352	158,352
Furniture and equipment	102,780	100,981
Leasehold improvements	<u>25,431</u>	<u>25,431</u>
Total fixed assets	286,563	284,764
Less accumulated depreciation and amortization	<u>248,920</u>	<u>224,594</u>
NET FIXED ASSETS	<u>37,643</u>	<u>60,170</u>
TOTAL ASSETS \$	<u>\$ 622,685</u>	<u>\$ 541,146</u>
CURRENT LIABILITIES		
Accounts payable	\$ —	\$ 847
Deferred program revenue	3,300	2,900
Accrued payroll	26,343	22,985
Accrued liabilities	<u>—</u>	<u>1,651</u>
TOTAL CURRENT LIABILITIES	29,643	28,383
LONG-TERM LIABILITIES		
SBA Economic Disaster Loan	<u>—</u>	<u>131,127</u>
TOTAL LONG-TERM LIABILITIES	<u>—</u>	<u>131,127</u>
TOTAL LIABILITIES	29,643	159,510
NET ASSETS		
Without donor restrictions	578,042	351,636
With donor restrictions	<u>15,000</u>	<u>30,000</u>
TOTAL NET ASSETS	<u>593,042</u>	<u>381,636</u>
TOTAL LIABILITIES AND NET ASSETS \$	<u>\$ 622,685</u>	<u>\$ 541,146</u>

See Accompanying Notes to Financial Statements.

OPPORTUNITY KNOCKS INCORPORATED

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	2021 Totals	Without Donor Restrictions	With Donor Restrictions	2020 Totals
SUPPORT AND REVENUES						
Special events, net of cost of direct benefit to donors (2021 \$126,364; 2020, \$134,796)	\$ 260,751	\$ —	\$ 260,751	\$ 258,524	\$ —	\$ 258,524
Grants and contributions	390,287	—	390,287	537,693	30,000	567,693
Program income	159,859	—	159,859	226,165	—	226,165
In-kind donations	4,500	—	4,500	12,647	—	12,647
PPP Loan Forgiveness	267,869	—	267,869	—	—	—
Interest income	199	—	199	497	—	497
Net assets released from restrictions						
Restrictions satisfied by payments	15,000	(15,000)	—	20,800	(20,800)	—
TOTAL SUPPORT AND REVENUES	1,098,465	(15,000)	1,083,465	1,056,326	9,200	1,065,526
EXPENSES						
Program services						
Next Phase	430,736	—	430,736	—	—	—
Life Shop	—	—	—	249,495	—	249,495
After Opps	—	—	—	222,097	—	222,097
Social Enterprise	219,951	—	219,951	258,976	—	258,976
Management and general	144,544	—	144,544	138,760	—	138,760
Fundraising	76,828	—	76,828	81,785	—	81,785
TOTAL EXPENSES	872,059	—	872,059	951,113	—	951,113
CHANGE IN NET ASSETS	226,406	(15,000)	211,406	105,213	9,200	114,413
NET ASSETS, BEGINNING OF YEAR	351,636	30,000	381,636	246,423	20,800	267,223
NET ASSETS, END OF YEAR	\$ 578,042	\$ 15,000	\$ 593,042	\$ 351,636	\$ 30,000	\$ 381,636

See Accompanying Notes to Financial Statements.

OPPORTUNITY KNOCKS INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

	2021					
	Program Services		Total	Management		Total
	Life	Social	Program	and	Fundraising	2021
	Shop	Enterprise	Services	General		
Payroll	\$ 277,866	\$ 115,778	393,644	115,778	\$ 69,467	\$ 578,889
Payroll tax	28,441	14,220	42,661	3,792	948	47,401
Supplies	15,350	29,798	45,148	—	—	45,148
Employee benefits	25,060	12,530	37,590	4,177	—	41,767
Advertising and promotion	3,244	1,622	4,866	—	1,622	6,488
Automobile expense	4,270	2,135	6,405	—	—	6,405
Depreciation	14,488	7,244	21,732	2,415	—	24,147
Farming	—	9,448	9,448	95	—	9,543
Fees	8,784	3,193	11,977	3,194	4,791	19,962
Insurance	17,288	8,644	25,932	2,881	—	28,813
License and fees	484	—	484	2,364	—	2,848
Occupancy	22,040	11,020	33,060	5,040	—	38,100
Office expense	1,266	—	1,266	1,265	—	2,531
Postage	293	147	440	147	—	587
Printing and copying	2,118	1,059	3,177	—	—	3,177
Professional services	6,225	3,113	9,338	3,113	—	12,451
Repairs and maintenance	—	—	—	227	—	227
Staff development	2,459	—	2,459	—	—	2,459
Travel	1,060	—	1,060	56	—	1,116
TOTAL EXPENSES	\$ 430,736	\$ 219,951	\$ 650,687	\$ 144,544	\$ 76,828	\$ 872,059

(Continued)

OPPORTUNITY KNOCKS INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Years Ended June 30, 2021 and 2020

	2020						
	Program Services			Total Program Services	Management and General	Fundraising	Total 2020
	Life Shop	After Opps	Social Enterprise				
Payroll	\$ 170,184	\$ 140,540	\$ 130,504	\$ 441,228	\$ 103,450	\$ 71,412	\$ 616,090
Payroll tax	15,213	15,213	15,213	45,639	4,057	1,015	50,711
Supplies	10,457	12,587	45,054	68,098	—	—	68,098
Employee benefits	13,212	13,212	13,212	39,636	4,404	—	44,040
Advertising and promotion	1,667	1,667	1,667	5,001	—	1,667	6,668
Automobile expense	1,021	1,021	1,021	3,063	—	—	3,063
Bad debt	3,535	3,535	3,535	10,605	3,535	3,535	17,675
Board development	—	—	—	—	2,288	—	2,288
Depreciation	7,886	7,886	7,886	23,658	2,630	—	26,288
Farming	—	—	16,539	16,539	229	—	16,768
Fees	3,827	2,984	2,984	9,795	2,984	4,156	16,935
Insurance	7,644	7,644	7,644	22,932	2,548	—	25,480
License and fees	—	545	—	545	2,609	—	3,154
Occupancy	11,020	11,020	11,020	33,060	5,040	—	38,100
Office expense	45	217	—	262	2,270	—	2,532
Postage	344	344	344	1,032	343	—	1,375
Printing and copying	1,137	1,137	1,137	3,411	—	—	3,411
Professional services	1,216	1,216	1,216	3,648	1,214	—	4,862
Repairs and maintenance	—	—	—	—	1,142	—	1,142
Staff development	1,041	1,041	—	2,082	—	—	2,082
Travel	—	288	—	288	17	—	305
Volunteers	46	—	—	46	—	—	46
TOTAL EXPENSES	\$ 249,495	\$ 222,097	\$ 258,976	\$ 730,568	\$ 138,760	\$ 81,785	\$ 951,113

See Accompanying Notes to Financial Statements.

OPPORTUNITY KNOCKS INCORPORATED

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 211,406	\$ 114,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,147	26,288
Bad Debts	—	17,677
Noncash fixed asset donations	—	(8,147)
Noncash Forgiveness of PPP Loan	(131,127)	—
Changes in operating assets and liabilities:		
Accounts receivable	(22,830)	5,172
Unconditional promises to give without donor restrictions	1,000	(18,000)
Unconditional promises to give with donor restrictions	15,000	(9,200)
Accounts payable	(847)	(3,210)
Deferred program revenues	400	(1,475)
Accrued payroll	3,358	1,112
Accrued liabilities	(1,472)	(139)
NET CASH PROVIDED BY OPERATING ACTIVITIES	99,035	124,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of fixed assets	(1,799)	(5,643)
NET CASH USED BY INVESTING ACTIVITIES	(1,799)	(5,643)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of SBA Economic Disaster Loans	—	131,127
NET CASH PROVIDED BY FINANCING ACTIVITIES	—	131,127
NET INCREASE IN CASH	97,236	249,975
CASH BEGINNING OF YEAR	429,137	179,162
CASH END OF YEAR	\$ 526,373	\$ 429,137
NONCASH OPERATING ACTIVITIES		
Donated fixed assets	\$ —	\$ 8,147
Forgiveness of PPP Loan	131,127	—
TOTAL NONCASH OPERATING ACTIVITIES	\$ 131,127	\$ 8,147

See Accompanying Notes to Financial Statements.

OPPORTUNITY KNOCKS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE A - NATURE OF ACTIVITIES

Opportunity Knocks Incorporated (the Organization) is an Illinois not-for-profit corporation founded in March 2009. The Organization is dedicated to enriching life and community. The Organization exists to support people with intellectual and developmental disabilities (Warriors) as they live, work, learn, grow and connect within their community. The Organization believes in a dynamic, person-centered, and community-based approach to programming that engages the voice of all Warriors, thrives on interdependent connections, encourages exploration, centers on holistic wellness and fostering healthy relationships. A summary of the Organization's program services are described below:

Next Phase

Next Phase encompasses both in person and virtual programming for all age groups as applicable, and includes an after-school/after-work program that offers social and recreational activities of all kinds for participants that are 14 and up, as well as focusing on building life skills, health and wellness, community connections and vocational skills for participants that are ages 22 and up.

Social Enterprise

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities. The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Revenue Recognition

The Organization follows the FASB guidance provided under in ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers.

The Organization also follows the FASB guidance provided in 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 improves the current guidance on determining whether transactions are contributions or exchange transactions. ASU No. 2018-08 also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

OPPORTUNITY KNOCKS INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Grants, gifts and 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 in the statement of activities.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. Support from grants and other agreements that in substance constitute exchanges for services from the Organization is recognized when earned.

Special event revenues are recognized when the underlying event occurs or when contributions are made that are unconditional.

Program revenue is recognized when earned for the period.

Use of Estimates

The preparation of financial statements in conformity with auditing standards generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2021 and 2020, there were no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through 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. At June 30, 2021, and 2020 the allowance for doubtful accounts was \$5,500.

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.

OPPORTUNITY KNOCKS INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021 and 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Purchased property and equipment are recorded at acquisition cost. Depreciation is charged against income over the estimated useful lives of the related property and equipment of five years under the straight-line method (see Note D).

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services are summarized on a functional basis in the statements of activities and functional expenses. Accordingly, based on the time and effort involved certain costs are allocated among the programs and supporting services benefited.

Income Taxes

The Organization applied for and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. Accordingly, income taxes are not provided for in the financial statements.

The financial statement effects of a tax position taken or expected to be taken are recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of June 30, 2021, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Donated Services and Goods

Donated services are recognized as revenues and corresponding expenses in the statement of activities when they create or enhance nonfinancial assets, or require specialized skills which would need to be purchased if not donated. Donated goods used in operations are recognized at estimated fair values when received (see Note F).

Advertising Costs

Advertising cost, 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, 2021, the Organization has no costs associated with direct-response advertising. Advertising and promotions expense were \$6,487 and \$6,668 during the years ended June 30, 2021 and 2020, respectively.

Management Review

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditor's Report.

OPPORTUNITY KNOCKS INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021 and 2020

NOTE C - RESTRICTIONS ON NET ASSETS

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

As of June 30, 2021:	
Warrior Wellness initiative	\$ <u>15,000</u>

As of June 30, 2020:	
Warrior Wellness initiative	\$ <u>30,000</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Depreciation and amortization is computed using the straight-lined method over the following estimated useful lives:

	<u>Years</u>
Vehicles	5 - 6
Furniture and equipment	5 - 10
Leasehold improvements	Shorter of useful life or lease term

Depreciation and amortization expense were \$24,147 and \$26,288 for the years ended June 30, 2021 and 2020, respectively.

NOTE E –NEW ACCOUNTING STANDARDS

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the statement of financial position and the liabilities for the obligations under the lease also be recognized on the statement of financial position. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. The requirements of Topic 842 were originally effective for reporting periods beginning after December 15, 2020, but the implementation date was extended one year due to the Covid-19 pandemic. Early adoption is permitted. ASU No. 2016-02 must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-02 and the effect that ASU No. 2016-02 is expected to have on its financial position, results of operations, cash flows and related disclosures.

OPPORTUNITY KNOCKS INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021 and 2020

NOTE F – DONATED SERVICES AND GOODS

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 \$59,500 and \$71,925, during the years ended June 30, 2021 and 2020, respectively. The value of the donated goods for auctions is included in the cost of direct donor benefits and reported as a reduction in special events revenue on the statement of activities.

Donated fixed assets are recognized as contributions at their estimated fair value when donated to the Organization. During the year ended June 30, 2020, the Organization received a donated fixed asset for organizational use valued at \$8,147. There were no donated fixed assets during the year ended June 30, 2021. The value of the donated fixed assets is included in the in-kind revenues in the statement of activities and in the fixed assets 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 for each of the years ended June 30, 2021 and 2020. The value of the donated space is included in the in-kind revenue and occupancy expenses on the statement of functional expenses.

NOTE G - COMMITMENTS

The Organization leases its facility under a five-year non-cancellable operating lease that commenced on July 1, 2016. Rent expense was \$33,600 during each of the years ended June 30, 2021 and 2020. As of June 30, 2021, the lease rent is payable on a month to month basis.

NOTE H - SMALL BUSINESS ADMINISTRATION ECONOMIC DISASTER LOANS

During the year ended June 30, 2020, the Organization received \$131,127 through COVID-19 programs that were sponsored by the United States and administered by the Small Business Administration (the "SBA"). During the year ended June 30, 2021, the organization received another \$136,742 under the same program. The entire \$267,869 loan was forgiven by the SBA and has been included as PPP Loan forgiveness in the Statement of Activities for the year ended June 30, 2021.

NOTE I - RETIREMENT PLAN

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

NOTE J - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization maintains a line of credit with maximum borrowings of \$50,000. There was no balance outstanding at June 30, 2021 or 2020.

Financial assets at year-end available to meet cash needs for general expenditure within one year of \$570,042 consist of cash of \$526,373 and receivables of \$43,669. There were \$15,000 of assets unavailable for general expenditures within one year due to donor-imposed restrictions for specific purposes.

OPPORTUNITY KNOCKS INCORPORATED
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2021 and 2020

NOTE K – COVID-19

The Organization has taken several measures to monitor and mitigate the effects of Covid-19, including applying and receiving loans under the Payroll Protection Program as described above. At this stage the impact on the Organization's operations have not been significant. Although significant progress has recently been made in negating the pandemic, significant uncertainty remains around the breadth and duration of the effects of Covid-19. As such, the Organization is unable to determine if it will have a material impact to its operations in future years.