OPPORTUNITY PARTNERS, INC.
AND SUBSIDIARIES

Minnetonka, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2018 and 2017

OPPORTUNITY PARTNERS, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Opportunity Partners, Inc. and Subsidiaries
Minnetonka, Minnesota

We have audited the accompanying consolidated financial statements of Opportunity Partners, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities" in 2018. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
May 13, 2019

OPPORTUNITY PARTNERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,920,762	$ 1,421,029
Accounts receivable, net of allowance for doubtful accounts of $166,304 for 2018 and $195,084 for 2017	2,571,497	2,369,877
Pledges and grants receivable	18,235	43,114
Inventories	219,188	192,788
Prepaid expenses	219,380	273,737
Total Current Assets	5,949,062	4,300,545
PROPERTY AND EQUIPMENT, NET	13,161,188	9,841,704
OTHER ASSETS		
Investments - endowment and other	3,956,866	4,297,336
Restricted savings	344,801	1,444,491
Total Other Assets	4,301,667	5,741,827
TOTAL ASSETS	$ 23,411,917	$ 19,884,076
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,260,987	$ 930,833
Accrued liabilities	1,291,693	1,307,522
Deferred income	192,365	27,500
Current maturities of long-term debt, net	171,516	621,168
Total Current Liabilities	2,916,561	2,887,023
LONG-TERM LIABILITIES		
Long-term debt, net	5,948,966	1,080,845
Total Long-Term Liabilities	5,948,966	1,080,845
Total Liabilities	8,865,527	3,967,868
NET ASSETS		
Without donor restrictions	10,782,694	11,723,437
With donor restrictions	3,763,696	4,192,771
Total Net Assets	14,546,390	15,916,208
TOTAL LIABILITIES AND NET ASSETS	$ 23,411,917	$ 19,884,076

See accompanying notes to consolidated financial statements.

OPPORTUNITY PARTNERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Contributions	$ 645,630	$ 146,410	$ 792,040	$ 346,560	$ 220,925	$ 567,485
United Way	-	66,600	66,600		70,300	70,300
In-kind contributions	42,143	-	42,143	89,645	-	89,645
Special events, net of expense of $92,158 in 2018 and $88,362 in 2017	209,671	-	209,671	197,444	-	197,444
Production and contract income	7,234,384	-	7,234,384	6,661,438	-	6,661,438
Interest income	718	-	718	963	-	963
Rental income	217,784	-	217,784	-	-	-
Long-term investment income allocated to operations	13,456	146,544	160,000	12,370	147,627	159,997
Capital gifts and gains allocated to operations	139,634	-	139,634	153,009	-	153,009
Training and service fees	25,404,107	-	25,404,107	25,237,684	-	25,237,684
Other	416	-	416	547	-	547
	33,907,943	359,554	34,267,497	32,699,660	438,852	33,138,512
Satisfaction of time restrictions	-	-	-	-	-	-
Satisfaction of program restrictions	342,529	(342,529)	-	289,402	(289,402)	-
Total Operating Support and Revenue	34,250,472	17,025	34,267,497	32,989,062	149,450	33,138,512
OPERATING EXPENSES						
Vocational services	22,361,887	-	22,361,887	21,151,430	-	21,151,430
Residential services	9,058,076	-	9,058,076	8,581,673	-	8,581,673
Management and general	3,309,008	-	3,309,008	2,973,926	-	2,973,926
Fundraising	315,353	-	315,353	399,676	-	399,676
Total Operating Expenses	35,044,324	-	35,044,324	33,106,705	-	33,106,705
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(793,852)	17,025	(776,827)	(117,643)	149,450	31,807
NONOPERATING ACTIVITIES						
Long-term investment income (loss)	(30,450)	(310,019)	(340,469)	39,779	507,797	547,576
Long-term investment income allocated to operations	(13,456)	(146,544)	(160,000)	(12,370)	(147,627)	(159,997)
Capital gifts and gains allocated to operations	(139,634)	-	(139,634)	(153,009)	-	(153,009)
Gain on sale of property and equipment	36,649	-	36,649	38,048	-	38,048
Contributions restricted for endowment	-	463	463	-	1,220	1,220
Contributions restricted for capital purchases	-	10,000	10,000	-	-	-
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	(146,891)	(446,100)	(592,991)	(87,552)	361,390	273,838
CHANGE IN NET ASSETS	(940,743)	(429,075)	(1,369,818)	(205,195)	510,840	305,645
NET ASSETS - Beginning of Year	11,723,437	4,192,771	15,916,208	11,928,632	3,681,931	15,610,563
NET ASSETS - END OF YEAR	$ 10,782,694	$ 3,763,696	$ 14,546,390	$ 11,723,437	$ 4,192,771	$ 15,916,208

See accompanying notes to consolidated financial statements.

OPPORTUNITY PARTNERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(with comparative totals for 2017)

	Vocational Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Support Services	2018 Total	2017 Total
Staff wages	$ 11,187,126	$ 5,889,038	$ 17,076,164	$ 1,792,075	$ 174,599	$ 1,966,674	$ 19,042,838	$ 19,243,498
Client wages	2,242,563	479	2,243,042	22,062	739	22,801	2,265,843	2,184,248
Payroll taxes	1,083,438	487,889	1,571,327	153,150	13,514	166,664	1,737,991	1,759,963
Health and benefit	1,316,638	827,570	2,144,208	177,616	12,695	190,311	2,334,519	1,979,772
Total Salaries and Related Expenses	15,829,765	7,204,976	23,034,741	2,144,903	201,547	2,346,450	25,381,191	25,167,481
Interest	5,082	24,765	29,847	149,935	(54)	149,881	179,728	48,378
Dues and subscriptions	8,104	18,485	26,589	128,435	42,917	171,352	197,941	200,214
Postage and freight	182,937	1,724	184,661	19,583	7,380	26,963	211,624	142,252
Professional fees	84,629	282,970	367,599	558,626	12,505	571,131	938,730	911,335
Occupancy	1,991,867	731,314	2,723,181	54,757	1,457	56,214	2,779,395	2,481,078
Early termination of lease expense	492,001	-	492,001	-	-	-	492,001	-
Supplies and program activities	1,361,224	124,713	1,485,937	129,764	38,172	167,936	1,653,873	1,442,333
Transportation	1,472,521	254,096	1,726,617	5,856	276	6,132	1,732,749	1,529,320
Professional development and conferences	58,100	31,683	89,783	52,493	2,509	55,002	144,785	155,159
Miscellaneous expense	154,171	95,588	249,759	25,382	2,870	28,252	278,011	267,388
Total Expenses Before Depreciation	21,640,401	8,770,314	30,410,715	3,269,734	309,579	3,579,313	33,990,028	32,344,938
Depreciation	721,486	287,762	1,009,248	39,274	5,774	45,048	1,054,296	761,767
Total Expenses	$ 22,361,887	$ 9,058,076	$ 31,419,963	$ 3,309,008	$ 315,353	$ 3,624,361	$ 35,044,324	$ 33,106,705

See accompanying notes to consolidated financial statements.

OPPORTUNITY PARTNERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Vocational Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Staff wages	$ 11,547,843	$ 5,739,718	$ 17,287,561	$ 1,740,159	$ 215,778	$ 1,955,937	$ 19,243,498
Client wages	2,153,051	416	2,153,467	29,819	962	30,781	2,184,248
Payroll taxes	1,092,240	483,581	1,575,821	165,643	18,499	184,142	1,759,963
Health and benefit	1,169,307	652,776	1,822,083	144,308	13,381	157,689	1,979,772
Total Salaries and Related Expenses	15,962,441	6,876,491	22,838,932	2,079,929	248,620	2,328,549	25,167,481
Interest	13,724	21,563	35,287	12,999	92	13,091	48,378
Dues and subscriptions	10,516	16,254	26,770	79,943	93,501	173,444	200,214
Postage and freight	114,921	1,902	116,823	18,676	6,753	25,429	142,252
Professional fees	69,403	304,453	373,856	537,477	2	537,479	911,335
Occupancy	1,744,870	681,794	2,426,664	53,344	1,070	54,414	2,481,078
Supplies and program activities	1,198,851	125,447	1,324,298	79,561	38,474	118,035	1,442,333
Transportation	1,270,152	252,309	1,522,461	6,491	368	6,859	1,529,320
Professional development and conferences	66,133	31,210	97,343	56,652	1,164	57,816	155,159
Miscellaneous expense	163,438	85,254	248,692	16,090	2,606	18,696	267,388
Total Expenses Before Depreciation	20,614,449	8,396,677	29,011,126	2,941,162	392,650	3,333,812	32,344,938
Depreciation	536,981	184,996	721,977	32,764	7,026	39,790	761,767
Total Expenses	$ 21,151,430	$ 8,581,673	$ 29,733,103	$ 2,973,926	$ 399,676	$ 3,373,602	$ 33,106,705

See accompanying notes to consolidated financial statements.

OPPORTUNITY PARTNERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,369,818)	$ 305,645
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,054,296	761,767
Amortization of debt issuance cost	33,776	9,463
Gain on disposal of property and equipment, net	(36,649)	(38,048)
Unrealized (gain) loss on long-term investments	528,998	(196,326)
Contributions restricted for long-term purposes	(10,463)	(1,220)
Change in allowance for doubtful accounts receivable	28,780	(23,262)
Changes in assets and liabilities		
Accounts receivable	(230,400)	138,546
Pledges and grants receivable	24,879	(24,602)
Inventories	(26,400)	(6,807)
Prepaid expenses	54,357	29,501
Accounts payable	347,914	138,762
Accrued liabilities	(15,829)	(53,020)
Deferred income	164,865	7,500
Net Cash Flows from Operating Activities	548,306	1,047,899
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	40,864	40,370
Purchase of property and equipment	(4,395,755)	(938,037)
Purchases of investments	(262,000)	(674,008)
Proceeds from sale of investments	73,472	632,956
Decrease (increase) in restricted savings	1,099,690	(84,941)
Net Cash Flows from Investing Activities	(3,443,729)	(1,023,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	6,176,421	-
Principal payments on long-term debt	(1,791,728)	(600,320)
Contributions received restricted for long-term purposes	10,463	1,220
Net Cash Flows from Financing Activities	4,395,156	(599,100)
Net Change in Cash and Cash Equivalents	1,499,733	(574,861)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,421,029	1,995,890
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,920,762	$ 1,421,029
Supplemental cash flow disclosures		
Cash paid for interest	$ 145,951	$ 38,915
Noncash investing and financing activities		
Property and equipment acquired through accounts payable	$ 2,400	$ 20,160

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Principles of Consolidation and Nature of Activities

The consolidated financial statements include Opportunity Partners, Inc. and its wholly owned subsidiaries OP Social Enterprises, LLC and OP Properties, LLC, disregarded entities as defined by the Internal Revenue Service. Opportunity Partners, Inc., OP Social Enterprises, LLC and OP Properties, LLC are collectively referred to as “the Organization”. The economic interest and control factors between the organizations require a consolidated financial statement presentation. All material inter-organization transactions and accounts have been eliminated.

The Organization supports choices for people with disabilities through innovative services and strategic collaborations, assisting adults with disabilities to live, learn and work – adding value to their lives and communities.

Established in 1953, Opportunity Partners helps people with disabilities live, learn and work more independently. The Organization supports approximately 1,700 people with disabilities each year. With services spanning from early adulthood to seniors, Opportunity Partners has a wide variety of programs to ensure that people with disabilities have the opportunity to lead rewarding, productive lives full of purpose and meaning.

Programs include, but are not limited to:

- **Employment services** for adults with developmental/intellectual disabilities, brain injury, autism and other special needs. These services include independent employment, supported employment, job skills training and temporary/flexible employment.

- **Production services** such as packaging, assembly and direct mailing. These services, operated by Opportunity Partners, provide people with disabilities with a variety of work experience.

- **Residential services** for people with disabilities. These services include group homes and services for independent and semi-independent living in apartments or at home with family members.

- **Educational services** for people with disabilities with a focus on learning skills for greater independence like cooking, money management and civic engagement.

OP Social Enterprises, LLC supports people with disabilities in a work setting. Programs include, but are not limited to, the following:

- **Employment services** for adults with developmental/intellectual disabilities, brain injury, autism and other special needs. These services include supported employment and job skills training.

- **Production services** such as packaging, assembly and direct mailing. These services, operated by Opportunity Partners, involve people with disabilities in a variety of work experience.

OP Properties, LLC is the legal entity formed in 2018 to purchase a building to support programs.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers highly liquid investments, except those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents. Cash in excess of FDIC and similar insurance coverage is subject to the usual banking risks of funds in excess of those limits.

Accounts and Grants Receivable

Accounts receivable are stated at cost. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. The Organization expects to collect grants receivable within the next year. Receivables are generally unsecured.

Inventories

Inventories, which consist of supplies used in various programs of the Organization, are stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

Government Grants and Contracts

The Organization recognizes contract revenue in the period the related services are performed as specified under the terms of the contract. Accordingly, advances for future periods are recorded as deferred revenues. The Organization generally considers grant contracts with governmental agencies to be exchange transactions. On the statement of activities, the amounts received under government contracts are labeled as training and service fees.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in net assets without donor-restrictions unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs

Debt issuance costs of $105,765 were amortized using the straight-line method over the term of the related debt which approximates the effective interest method. Accumulated amortization was $105,765 and $71,989 at December 31, 2018 and 2017, respectively. Amortization expense was $33,776 and $9,463 for the years ended December 31, 2018 and 2017, respectively. The unamortized portion of the debt issuance costs are shown net with the long-term debt as described in Note 7.

Unemployment Compensation

The Organization has elected to self-insure unemployment tax claims. Any amounts incurred will be recorded as expense when incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

With respect to net assets with donor restrictions, the Organization has adopted the following accounting policy:

Reporting as Donor-Restricted Revenues - Contributions and investment income received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the donor-restricted net asset class, and a reclassification to the without donor-restricted net asset class is made to reflect the expiration of such restrictions.

Board Designated Net Assets

The Organization’s Board of Directors has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Board of Directors has designated a portion of their net assets for endowment purposes (see Note 9).

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Tax-Exempt Status

Opportunity Partners, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Organization is not currently under examination by any taxing jurisdiction. OP Social Enterprises, LLC and OP Properties, LLC are separate legal entities for state law and bankruptcy purposes. However, because Opportunity Partners, Inc. is the sole member of OP Social Enterprises, LLC and OP Properties, LLC, activities of OP Social Enterprises, LLC and OP Properties, LLC are included in the Section 501(c)(3) tax filings of Opportunity Partners, Inc.

In accordance with the accounting standard on *Accounting for Uncertainty in Income Taxes*, the Organization addresses the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as liabilities during 2018 and 2017.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Current contributions receivable are expected to be collected during the next year and are recorded at net realizable value. Long term contributions receivable are recorded at net present value.

The Organization reports gifts of cash and other assets as support with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such services totaled $11,903 and $39,823 for the years ended December 31, 2018 and 2017, respectively, and are reflected as support and expense on the statement of activities.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, costs such as facility and training expenses have been allocated among the programs and supporting services benefited. The allocations are determined by management and are based on square footage, usage, number of vehicles, budgeted percentages, and weighted allocations, depending on the category of expense.

Advertising

Advertising costs are expensed as incurred.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements Adopted in Current Year

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU No. 2016-14, and has applied the changes retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources. These disclosures have been presented for 2018 only, as allowed by ASU No. 2016-14. The new standard changes the following aspects of the financial statements:

- The Unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The Temporarily and Permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions
- The Organization reclassified $3,479,450 as of January 1, 2017 from net assets with donor restriction to net assets without donor restrictions representing gifts received for capital assets that were previously released into unrestricted net assets over the life of the related assets. This new standard requires the *placed in service* approach requiring the assets to be released to net assets without donor restriction when the related asset is placed in service.
- The financial statements include a disclosure about liquidity and availability of resources at December 31, 2018 (Note 2)

New Accounting Pronouncements Not Yet Effective

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU No. 2014-09 will have on its results of operations, financial position and cash flows.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The Organization is currently assessing the effect that ASU No. 2018-08 will have on its results of operations, financial position and cash flows.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with earlier application permitted. Upon adoption, the lessee will apply the new standard on a modified retrospective approach with a number of optional practical expedients to all periods presented. The practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases based on the present value of the remaining minimum rental payments. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

Reclassification

For comparability, certain 2017 amounts have been reclassified to conform with classifications adopted in 2018. Except for the reclassification of net assets relating to the adoption of ASU 2016-14 discussed above, the reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Organization has evaluated subsequent events through May 13, 2019, which is the date that the financial statements were available for issue.

NOTE 2 - Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or the Organization's Board of Trustees and reserves that can only be used for specific capital projects.

Financial assets:	
Cash and cash equivalents	$ 2,920,762
Restricted savings	344,801
Pledges and grants receivable	18,235
Accounts receivable	2,571,497
Investments - endowment and other	3,956,866
Financial assets at December 31	$ 9,812,161
Less those unavailable for general expenditure within one year:	
Accounts receivable beyond one year	120,100
Endowment assets restricted by donors	3,501,621
Endowment assets restricted by the Board of Trustees	295,709
Cash restricted for capital improvements	344,801
Financial assets not available for expenditure within one year	$ 4,262,231
Financial assets available to meet cash needs for general purposes within one year	$ 5,549,930

The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 60 days of operating expense coverage at any point in time.

NOTE 3 - Fair Value of Financial Instruments and Investments

The Organization follows the accounting guidance on fair value measurements. Fair value is defined in the guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

NOTE 3 - Fair Value of Financial Instruments and Investments (Continued)

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table summarizes financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money markets	$ 263,767	$ 263,737	$ -	$ -
Mutual funds				
Domestic fixed income	1,029,206	1,029,206	-	-
International fixed income	88,189	88,189	-	-
Domestic equity securities	1,424,330	1,424,330	-	-
International equity securities	791,830	791,830	-	-
Real assets	359,544	359,544	-	-
Total	$ 3,956,866	$ 3,956,866	$ -	$ -

The following table summarizes financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2017:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money markets	$ 109,972	$ 109,972	$ -	$ -
Mutual funds				
Domestic fixed income	1,058,684	1,058,684	-	-
International fixed income	99,457	99,457	-	-
Domestic equity securities	1,711,898	1,711,898	-	-
International equity securities	933,997	933,997	-	-
Real assets	383,328	383,328	-	-
Total	$ 4,297,336	$ 4,297,336	$ -	$ -

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Money market funds – Money market funds are classified as Level 1 as these funds are traded in an active market for which close market prices are readily available.

Mutual funds – Mutual funds are classified as Level 1 as they trade in an active market for which close market prices are readily available.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Organization has not changed any of its fair value methodologies during 2018 or 2017.

NOTE 3 - Fair Value of Financial Instruments and Investments (Continued)

Income (loss) from investment securities is summarized as follows:

	2018	2017
Interest and dividends	$ 109,869	$ 105,229
Net realized gains	121,376	288,265
Net unrealized (losses) gains	(528,998)	196,326
Less: Fees	(42,716)	(42,244)
Totals	$ (340,469)	$ 547,576

The Board of Directors designates only a portion of the cumulative investment return for support of current operations. The amount allocated to operations for the years ended December 31, 2018 and 2017 was $160,000 and $159,997, respectively.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

NOTE 4 - Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives	2018	2017
Land		$ 2,406,973	$ 1,399,973
Buildings and improvements	10 - 50 yrs.	16,850,371	13,518,130
Production equipment	6 yrs.	1,127,297	1,122,229
Office furniture and equipment	4 - 6 yrs.	553,164	545,304
Motor vehicles	4 yrs.	1,766,266	1,900,457
Computer equipment and software	4 - 10 yrs.	2,215,850	2,217,137
Construction in progress		66,375	53,177
Total Property and Equipment		24,986,296	20,756,407
Less: Accumulated Depreciation		11,825,108	10,914,703
Net Property and Equipment		$ 13,161,188	$ 9,841,704

NOTE 5 - Line of Credit

At December 31, 2017, the Organization had a line of credit financing agreement with Wells Fargo Bank Minnesota, N.A., with a total of $1,500,000 available to the Organization. Interest was payable monthly at the greater of the bank's prime rate or 4.0%. The amount available was contingent upon a borrowing base formula equal to 80% of eligible accounts receivable. The line of credit was secured by inventory and equipment and was due on demand on November 1, 2018. The line of credit contain covenants which, among other matters, require the Organization to maintain certain financial ratios. There was no balance outstanding on the line of credit at December 31, 2017, and it was not renewed when it terminated November 1, 2018.

NOTE 6 - Training and Service Fees

Training and service fees as of December 31 consist of the following:

	2018	2017
Day training and habilitation	$ 12,903,047	$ 13,133,234
G, M and L residences	305,269	370,330
Extended employment	-	1,668
Supported Work Grant	13,500	27,500
Supported employment	695,705	617,469
Vocational services	417,911	505,643
Supported living services	6,586,872	6,004,451
TBI program	1,517,710	1,598,997
School to work	46,000	51,320
Independent living	1,120,206	1,032,418
Semi-independent living skills	1,797,887	1,894,654
Totals	$ 25,404,107	$ 25,237,684

NOTE 7 - Long-Term Debt, Net

	2018	2017
City of Independence Minnesota Facility Revenue Note (Opportunity Partners Project), Series 2007 was issued in August 2007 in the amount of $3,300,000 for the purpose of construction and remodeling Opportunity Partners, Inc.'s location at 5500 Opportunity Court, Minnetonka, MN. Principal and interest payments were due monthly until August 1, 2022, when the entire remaining principal and interest was due and payable. The interest rate on this note was 67% of the sum of the 30-day Libor plus 150 basis points. The rate at December 31, 2017 was 2.1%. The note was secured by a mortgage on the land and related facility. The note was paid in full in June 2018.	$ -	$ 427,937
Center for Energy & Environment loan was issued in July 2014 in the amount of $49,717 for financing a lighting project at 5500 Opportunity Court, Minnetonka, MN. Principal and interest payments were due monthly until August 11, 2018, when the entire remaining principal and interest was due and payable. The interest rate was fixed at 2%. The loan was secured by the lamp fixtures installed at 5500 Opportunity Court, Minnetonka, MN. The loan was paid in full in June 2018.	-	8,398

OPPORTUNITY PARTNERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - Long-Term Debt, Net (Continued)

	2018	2017
Wells Fargo bridge loan was issued in June 2015 in the amount of $750,000 for financing purchases of residential homes. Principal and interest was due monthly until May 1, 2019. The interest rate was fixed at 3.75%. The loan was secured by a mortgage on the land and related facility at 10000 51st Avenue North, Plymouth, MN. The loan was paid in full in June 2018.	-	278,026
Wells Fargo loan was issued in June 2018 in the amount of $3,142,500 for financing purchase of building at 10320 Bren Road, Minnetonka, MN. Principal and interest are due monthly until July 1, 2028 when a final payment of the remaining balance is due. The interest rate is fixed at 4.40%. The loan is secured by a mortgage on the land and related facility at 10320 Bren Road, Minnetonka, MN.	3,119,444	-
Wells Fargo loan was issued in June 2018 in the amount of $3,033,921 for financing and repayment of outstanding debt as well as financing purchase and improvements of building at 10320 Bren Road, Minnetonka, MN. Principal and interest are due monthly until July 1, 2023 when a final payment of the remaining balance is due. The interest rate is fixed at 4.25%. The loan is secured by a mortgage on the land and related facility at 5500 Opportunity Court, Minnetonka, MN.	3,001,038	-
Hennepin County Housing and Redevelopment Authority Industrial Development Note (Opportunity Partners Project) Series 2008 was issued in September 2008 in the amount of $2,940,022 for refinancing and repayment of outstanding Series 2001 Industrial Development Note and two mortgages. Principal and interest payments were due monthly until October 1, 1021, when the entire remaining principal and interest was due and payable The interest rate was variable and was calculated as 67% of the sum of the 30-day Libor plus 150 basis points. The rate at December 31, 2017 was 2.1%. The Organization had to meet several financial covenants as described in the note. The note was secured by a mortgage on the land and related facility at 5500 Opportunity Court, Minnetonka, MN. The note was paid in full in June 2018.	-	1,021,428
Totals	6,120,482	1,735,789
Less: Debt issuance costs	-	(33,776)
Less: Current maturities	(171,516)	(621,168)
Total long-term debt, net	$ 5,948,966	$ 1,080,845

NOTE 7 - Long-Term Debt, Net (Continued)

Principal requirements on long-term debt for years ending after December 31, 2018 are as follows:

2019	$ 171,516
2020	178,432
2021	187,127
2022	195,476
2023	2,660,518
Thereafter	2,727,413
Total	$ 6,120,482

NOTE 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 consist of:

	2018	2017
Program and opportunities fund	$ 262,075	$ 235,050
Endowment funds	3,501,621	3,957,721
Total	$ 3,763,696	$ 4,192,771

NOTE 9 - Endowment

The Organization’s endowment consists of approximately 48 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Minnesota as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as with donor-restricted net assets (a) the original value of gifts donated to the with donor-restricted endowment, (b) the original value of subsequent gifts to the with donor-restricted endowment, and (c) accumulations to the with donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor-restricted net assets is classified as without donor-restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 9 - Endowment (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, and growing stream of annual distributions in support of the Opportunity Partners mission. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds.

The Organization has an investment policy that determines a maximum spending rate of 4 percent applied to a three year moving average of year end endowment assets in which the distribution is planned. Spending is subject to annual Board approval. In establishing this policy, the Organization considered the long-term expected return on its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the return on a globally diversified balanced portfolio while assuming a moderate level of investment risk.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 or 2017.

The following table summarizes Endowment Net Asset Composition by Type of Fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 3,501,621	$ 3,501,621
Board-designated funds	295,709	-	295,709
Total funds	$ 295,709	$ 3,501,621	$ 3,797,330

NOTE 9 - Endowment (Continued)

The following table summarizes Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 3,957,721	$ 3,957,721
Board-designated funds	339,615	-	339,615
Total funds	$ 339,615	$ 3,957,721	$ 4,297,336

Change in Endowment Net Assets for December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	$ 312,206	$ 3,596,331	$ 3,908,537
Investment return:			
Investment income, net of fees	4,573	58,412	62,985
Net appreciation (realized and unrealized)	35,206	449,385	484,591
Total investment return	39,779	507,797	547,576
Contributions		1,220	1,220
Appropriation of endowment assets for expenditure	(12,370)	(147,627)	(159,997)
Endowment net assets, December 31, 2017	$ 339,615	$ 3,957,721	$ 4,297,336
Investment return:			
Investment income, net of fees	6,006	61,147	67,153
Net depreciation (realized and unrealized)	(36,456)	(371,166)	(407,622)
Total investment return	(30,450)	(310,019)	(340,469)
Contributions		463	463
Appropriation of endowment assets for expenditure	(13,456)	(146,544)	(160,000)
Endowment net assets, December 31, 2018	$ 295,709	$ 3,501,621	$ 3,797,330

NOTE 10 - Operating Leases

The Organization leases various buildings and equipment that are classified as operating leases. Future minimum lease payments as of December 31, 2018 are as follows:

2019	$ 819,417
2020	574,319
2021	537,471
2022	475,695
2023	293,243
Thereafter	23,564
Total	$ 2,723,709

Rent expense on the operating leases was $1,670,498 and $1,488,424 for the years ended December 31, 2018 and 2017, respectively.

The Organization leases a portion of their 10320 Bren Road facility to an unrelated party. Future lease receipts as of December 31, 2018 are as follows:

2019	$ 275,683
2020	282,575
2021	289,639
2022	296,881
2023	304,303
Thereafter	959,320
Total	$ 2,408,401

Rent revenue was $147,928 and $0 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 - Retirement Plan

The Organization has a 403(b) and a 457(b) tax deferred annuity plan covering all eligible employees. Opportunity Partners, Inc. makes discretionary contributions to the plans. Contributions are determined by the Board of Directors. Retirement plan expense was $5,776 and $64,970 for the years ended December 31, 2018 and 2017, respectively.

NOTE 12 - Commitments and Contingencies

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

The Organization is involved in legal and regulatory matters as part of the normal course of business activities. While the outcome of these matters is uncertain, management anticipates resolution that will not have a material impact on the Organization’s financial position.

NOTE 13 - Concentrations

The Organization received approximately $22,305,000 and $21,854,000 of its funding from the State of Minnesota during the years ended December 31, 2018 and 2017, respectively. Accounts receivable are primarily from the State of Minnesota.

The Organization provides services within the Greater Twin Cities area. The amounts due for services provided are from local individuals or their third-party payers. In addition, grants and contributions receivable are from local residents, governments, or institutions. Pledges receivable are due from a limited number of donors. Due to periodic changes in the State of Minnesota budget, it is possible that in 2019, the Organization may experience some reduction in state funding.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, marketable securities, accounts receivable and the interest rate exchange agreement. Cash balances periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments are generally placed in a managed fund administered by an investment manager.