Opportunity Partners, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2020 and 2019

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Independent Auditors' Report

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

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, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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, 2020 and 2019, 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.

Baker Tilly US, LLP

Minneapolis, Minnesota
June 30, 2021

Opportunity Partners, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 5,838,224	$ 4,152,109
Accounts receivable, net of allowance for doubtful accounts of $156,138 for 2020 and $180,628 for 2019	2,162,362	2,763,328
Pledges and grants receivable	-	19,919
Inventories	222,751	171,682
Prepaid expenses	295,610	290,422
Total current assets	8,518,947	7,397,460
Property and Equipment, Net	12,653,409	12,772,936
Other Assets		
Investments, endowment and other	4,885,615	4,404,925
Restricted savings	323,625	685,510
Total other assets	5,209,240	5,090,435
Total assets	$ 26,381,596	$ 25,260,831
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,272,613	$ 1,735,776
Accrued liabilities	1,072,584	1,243,480
Deferred income	1,152,934	125,903
Current maturities of long-term debt, net	191,707	178,429
Total current liabilities	3,689,838	3,283,588
Long-Term Liabilities		
Long-term debt, net of debt issuance costs	5,575,942	5,770,550
Total liabilities	9,265,780	9,054,138
Net Assets		
Without donor restrictions	12,391,173	12,022,831
With donor restrictions	4,724,643	4,183,862
Total net assets	17,115,816	16,206,693
Total liabilities and net assets	$ 26,381,596	$ 25,260,831

See notes to consolidated financial statements

Opportunity Partners, Inc. and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020 Without Donor Restrictions	2020 With Donor Restrictions	2020 Total	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total
Operating Support and Revenue						
Contributions	$ 659,113	$ 136,667	$ 795,780	$ 326,847	$ 205,325	$ 532,172
Government grants	1,088,227	-	1,088,227	-	-	-
United Way	-	-	-	-	66,600	66,600
In-kind contributions	32,410	-	32,410	65,265	-	65,265
Special events, net of expense of $- in 2020 and $94,188 in 2019	(6,458)	-	(6,458)	282,188	-	282,188
Production and contract income	6,711,211	-	6,711,211	7,696,021	-	7,696,021
Interest income	11	-	11	442	-	442
Rental income	444,728	-	444,728	428,868	-	428,868
Long-term investment income allocated to operations	10,570	149,565	160,135	11,713	147,880	159,593
Capital gifts and gains allocated to operations	296,823	-	296,823	521,722	-	521,722
Training and service fees	17,323,079	-	17,323,079	24,224,550	-	24,224,550
Other	341,822	-	341,822	62,808	-	62,808
	26,901,536	286,232	27,187,768	33,620,424	419,805	34,040,229
Satisfaction of program restrictions	506,452	(506,452)	-	616,497	(616,497)	-
Total operating support and revenue	27,407,988	(220,220)	27,187,768	34,236,921	(196,692)	34,040,229
Operating Expenses						
Vocational services	14,891,467	-	14,891,467	20,280,966	-	20,280,966
Residential services	8,740,968	-	8,740,968	8,887,280	-	8,887,280
Management and general	2,931,991	-	2,931,991	3,288,560	-	3,288,560
Fundraising	236,635	-	236,635	303,126	-	303,126
Total operating expenses	26,801,061	-	26,801,061	32,759,932	-	32,759,932
Change in net assets from operating activities	606,927	(220,220)	386,707	1,476,989	(196,692)	1,280,297
Nonoperating Activities						
Long-term investment income	45,303	595,387	640,690	51,494	715,564	767,058
Long-term investment income allocated to operations	(10,570)	(149,565)	(160,135)	(11,713)	(147,880)	(159,593)
Capital gifts and gains allocated to operations	(296,823)	-	(296,823)	(521,722)	-	(521,722)
Gain on sale of property and equipment	23,505	-	23,505	245,089	-	245,089
Contributions restricted for endowment	-	135	135	-	130	130
Contributions restricted for long-term purposes	-	315,044	315,044	-	49,044	49,044
Change in net assets from nonoperating activities	(238,585)	761,001	522,416	(236,852)	616,858	380,006
Change in net assets	368,342	540,781	909,123	1,240,137	420,166	1,660,303
Net Assets, Beginning	12,022,831	4,183,862	16,206,693	10,782,694	3,763,696	14,546,390
Net Assets, Ending	$ 12,391,173	$ 4,724,643	$ 17,115,816	$ 12,022,831	$ 4,183,862	$ 16,206,693

See notes to consolidated financial statements

Opportunity Partners, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Vocational Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Support Services	2020 Total	2019 Total
Staff wages	$ 7,315,151	$ 5,418,856	$ 12,734,007	$ 1,303,306	$ 154,353	$ 1,457,659	$ 14,191,666	$ 17,935,491
Client wages	845,758	120	845,878	1,081	120	1,201	847,079	2,201,537
Payroll taxes	597,463	456,568	1,054,031	107,563	13,518	121,081	1,175,112	1,511,710
Health and benefit	1,017,632	930,739	1,948,371	127,028	10,733	137,761	2,086,132	2,086,953
Covid staffing, payroll taxes & health benefits	560,953	214,117	775,070	57,842	2,718	60,560	835,630	-
Total salaries and related expenses	10,336,957	7,020,400	17,357,357	1,596,820	181,442	1,778,262	19,135,619	23,735,691
Interest	25,301	29,198	54,499	194,074	141	194,215	248,714	264,429
Dues and subscriptions	1,660	10,550	12,210	30,964	1,256	32,220	44,430	91,792
Postage and freight	94,790	876	95,666	5,337	5,503	10,840	106,506	210,766
Professional fees	27,246	18,881	46,127	653,789	3,312	657,101	703,228	783,394
Occupancy	1,195,916	796,267	1,992,183	37,417	1,438	38,855	2,031,038	2,642,410
Early termination of lease expense	68,709	-	68,709	-	-	-	68,709	174,639
Supplies and program activities	1,736,376	341,194	2,077,570	121,148	15,069	136,217	2,213,787	1,876,331
Transportation	594,370	132,299	726,669	2,019	246	2,265	728,934	1,389,181
Professional development and conferences	23,800	11,230	35,030	63,015	321	63,336	98,366	147,088
Miscellaneous expense	164,026	99,111	263,137	52,469	26,233	78,702	341,839	400,948
Covid supplies & interest expense	83,406	15,276	98,682	33,744	-	33,744	132,426	-
Total expenses before depreciation	14,352,557	8,475,282	22,827,839	2,790,796	234,961	3,025,757	25,853,596	31,716,669
Depreciation	538,910	265,686	804,596	141,195	1,674	142,869	947,465	1,043,263
Total expenses	$ 14,891,467	$ 8,740,968	$ 23,632,435	$ 2,931,991	$ 236,635	$ 3,168,626	$ 26,801,061	$ 32,759,932

See notes to consolidated financial statements

Opportunity Partners, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Vocational Services	Residential Services	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Staff wages	$ 10,384,622	$ 5,809,691	$ 16,194,313	$ 1,604,399	$ 136,779	$ 1,741,178	$ 17,935,491
Client wages	2,195,996	483	2,196,479	4,405	653	5,058	2,201,537
Payroll taxes	924,583	462,070	1,386,653	114,479	10,578	125,057	1,511,710
Health and benefit	1,144,355	790,579	1,934,934	143,279	8,740	152,019	2,086,953
Total salaries and related expenses	14,649,556	7,062,823	21,712,379	1,866,562	156,750	2,023,312	23,735,691
Interest	26,664	31,695	58,359	205,926	144	206,070	264,429
Dues and subscriptions	4,854	7,308	12,162	78,043	1,587	79,630	91,792
Postage and freight	190,407	1,848	192,255	10,755	7,756	18,511	210,766
Professional fees	102,361	20,806	123,167	638,398	21,829	660,227	783,394
Occupancy	1,787,417	746,924	2,534,341	106,503	1,566	108,069	2,642,410
Early termination of lease expense	174,639	-	174,639	-	-	-	174,639
Supplies and program activities	1,359,131	360,380	1,719,511	118,622	38,198	156,820	1,876,331
Transportation	1,182,058	201,448	1,383,506	5,428	247	5,675	1,389,181
Professional development and conferences	61,095	31,988	93,083	51,444	2,561	54,005	147,088
Miscellaneous expense	152,333	128,697	281,030	49,873	70,045	119,918	400,948
Total expenses before depreciation	19,690,515	8,593,917	28,284,432	3,131,554	300,683	3,432,237	31,716,669
Depreciation	590,451	293,363	883,814	157,006	2,443	159,449	1,043,263
Total expenses	$ 20,280,966	$ 8,887,280	$ 29,168,246	$ 3,288,560	$ 303,126	$ 3,591,686	$ 32,759,932

See notes to consolidated financial statements

Opportunity Partners, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ 909,123	$ 1,660,303
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	947,465	1,043,263
Gain on disposal of property and equipment, net	(23,505)	(245,089)
Gain on long-term investments	(555,989)	(672,595)
Gain on interest rate exchange agreement		
Contributions restricted for long-term purposes	(315,179)	(49,174)
Change in allowance for doubtful accounts receivable	24,490	(14,324)
Changes in assets and liabilities:		
Accounts receivable	576,476	(177,507)
Pledges and grants receivable	19,919	(1,684)
Inventories	(51,069)	47,506
Prepaid expenses	(5,188)	(71,042)
Accounts payable	(488,786)	394,075
Accrued liabilities	(170,896)	(48,213)
Deferred income	1,027,031	(66,462)
Net cash flows from operating activities	1,893,892	1,799,057
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	23,505	512,330
Purchase of property and equipment	(787,271)	(841,538)
Purchases of investments	(441,341)	(4,722,767)
Proceeds from sale of investments	516,640	4,947,303
Net cash flows from investing activities	(688,467)	(104,672)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(181,330)	(171,503)
Contributions received restricted for long-term purposes	300,135	49,174
Net cash flows from financing activities	118,805	(122,329)
Net change in cash and cash equivalents	1,324,230	1,572,056
Cash, Cash Equivalents and Restricted Cash, Beginning	4,837,619	3,265,563
Cash, Cash Equivalents and Restricted Cash, Ending	$ 6,161,849	$ 4,837,619
Supplemental Cash Flow Disclosures		
Cash paid for interest	$ 277,741	$ 264,429
Noncash Investing and Financing Activities		
Property and equipment purchases included in accounts payable	$ 57,491	$ 83,114
Noncash donation of property and equipment	$ 15,044	$ -

See notes to consolidated financial statements

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.

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.

The restricted savings includes proceeds from a home sale restricted to the purchase of another residential home, donations due to a residential home fire restricted to the replacement of the home, gifts from a donor restricted to purpose and donations from a capital campaign restricted in purpose.

The following table provides a reconciliation of cash, cash equivalents and restricted deposits on the statements of cash flows to the amount reported within the consolidated statement of financial position:

	2020	2019
Cash and cash equivalents	$ 5,838,224	$ 4,152,109
Restricted savings	323,625	685,511
Total cash, cash equivalents and restricted deposits	$ 6,161,849	$ 4,837,620

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.

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.

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 8).

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 2020 and 2019.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Conditional promises to give - that is, those with a measureable performance or other barrier and a right of return or release from future obligations - are not recognized until the conditions on which depend have been 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.

Training and Service Fees

The Organization recognizes contract revenue for training and service fees as the performance obligations are satisfied under the terms of the contracts with the State of Minnesota and various counties. Performance obligations relating to training service fees include day training and habilitation services, semi-independent living services and employment services. The services are recognized and billed based on the transaction prices as stated in the various contracts by increments ranging from 15 minutes to an entire day.

Production and Contract Income

The Organization recognizes production and contract income as the performance obligations are satisfied under the terms of the contracts with the customers. Performance obligations include assembly, packaging and delivery services provided by the Organization and are recognized and billed based on the fixed transaction prices provided for in the contracts.

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 $8,957 and $21,988 for the years ended December 31, 2020 and 2019, 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.

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.

Reclassifications

The Organization made certain reclassifications in the 2019 consolidated financial statements in order to conform to presentation in 2020. These reclassifications had no impact on net assets or the change in net assets as previously reported.

New Accounting Pronouncement Not Yet Effective

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Organization is currently assessing the effect that Topic 842 (as amended) will have on its consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently assessing the effect that ASU No. 2020-07 will have on its consolidated financial statements.

2. Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, 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 Directors and reserves that can only be used for specific capital projects.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 5,838,224	$ 4,152,109
Restricted savings	323,625	685,510
Pledges and grants receivable	-	19,919
Accounts receivable	2,162,362	2,763,328
Investments, endowment and other	4,885,615	4,404,925
Financial assets at December 31	13,209,827	12,025,791
Less those unavailable for general expenditure within one year:		
Endowment assets restricted by donors	4,515,395	4,069,435
Endowment assets restricted by the Board of Directors	370,223	335,490
Endowment assets appropriation for next year	(160,000)	(160,000)
Bond proceeds and reserves restricted by use	323,625	685,510
Financial assets not available for expenditure within one year	5,049,243	4,930,435
Financial assets available to meet cash needs for general expenditure within one year	$ 8,160,584	$ 7,095,356

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.

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.

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, 2020:

	Total	Level 1	Level 2	Level 3
Assets				
Mutual funds:				
Domestic fixed income	$ 1,149,023	$ 1,149,023	$ -	$ -
International fixed income	229,507	229,507	-	-
Domestic equity securities	2,076,191	2,076,191	-	-
International equity securities	1,430,894	1,430,894	-	-
Total	$ 4,885,615	$ 4,885,615	$ -	$ -

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, 2019:

	Total	Level 1	Level 2	Level 3
Assets				
Mutual funds:				
Domestic fixed income	$ 1,071,864	$ 1,071,864	$ -	$ -
International fixed income	212,319	212,319	-	-
Domestic equity securities	1,884,229	1,884,229	-	-
International equity securities	1,236,513	1,236,513	-	-
Total	$ 4,404,925	$ 4,404,925	$ -	$ -

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

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 2020 or 2019.

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

	2020	2019
Interest and dividends	$ 101,510	$ 117,767
Net realized gains	48,453	860,898
Net unrealized (losses) gains	507,536	(188,303)
Less fees	(16,819)	(23,304)
Total	$ 640,690	$ 767,058

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, 2020 and 2019 was approximately $160,000.

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.

4. Property and Equipment

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

	Depreciable Lives	2020	2019
Land		$ 2,408,973	$ 2,327,973
Buildings and improvements	10 - 50 years	16,921,394	16,634,413
Production equipment	6 years	1,064,837	1,052,321
Office furniture and equipment	4 - 6 years	345,409	388,764
Motor vehicles	4 years	1,764,340	1,727,451
Computer equipment and software	4 - 10 years	2,140,168	2,143,034
Construction in progress		208,228	56,369
Total property and equipment		24,853,349	24,330,325
Less accumulated depreciation		(12,199,940)	(11,557,389)
Net property and equipment		$ 12,653,409	$ 12,772,936

5. Training and Service Fees

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

	2020	2019
Day training and habilitation	$ 5,409,021	$ 12,766,076
Supported employment	852,487	809,799
Vocational services	143,292	124,139
Supported living services	7,525,547	6,691,594
BI program	339,423	844,510
Independent living	1,663,739	1,411,280
Semi-independent living skills	1,389,570	1,577,152
Total	$ 17,323,079	$ 24,224,550

6. Long-Term Debt, Net

	2020	2019
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 4.20%. The loan is secured by a mortgage on the land and related facility at 10320 Bren Road, Minnetonka, MN.	$ 2,971,965	$ 3,047,786
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 4.05%. The loan is secured by a mortgage on the land and related facility at 5500 Opportunity Court, Minnetonka, MN.	2,795,684	2,901,193
Totals	5,767,649	5,948,979
Less current maturities	(191,707)	(178,429)
Total long-term debt, net	$ 5,575,942	$ 5,770,550

Principal requirements on long-term debt for years ending after December 31, 2020 are as follows:

2021	$ 191,707
2022	193,673
2023	2,649,586
2024	84,575
2025	88,770
Thereafter	2,559,338
Total	$ 5,767,649

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 consist of:

	2020	2019
Program and opportunities fund	$ 209,251	$ 114,427
Endowment funds	4,515,392	4,069,435
Total	$ 4,724,643	$ 4,183,862

8. 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.

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, 2020 or 2019.

The following table summarizes endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 4,515,392	$ 4,515,392
Board-designated funds	370,223	-	370,223
Total funds	$ 370,223	$ 4,515,392	$ 4,885,615

The following table summarizes endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 4,069,435	$ 4,069,435
Board-designated funds	335,490	-	335,490
Total funds	$ 335,490	$ 4,069,435	$ 4,404,925

Change in endowment net assets for December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	$ 295,709	$ 3,501,621	$ 3,797,330
Investment return:			
Investment income, net of fees	6,341	88,122	94,463
Net appreciation (realized and unrealized)	45,153	627,442	672,595
Total investment return	51,494	715,564	767,058
Contributions	-	130	130
Appropriation of endowment assets for expenditure	(11,713)	(147,880)	(159,593)
Endowment net assets, December 31, 2019	335,490	4,069,435	4,404,925
Investment return:			
Investment income, net of fees	5,989	78,712	84,701
Net appreciation (realized and unrealized)	39,314	516,675	555,989
Total investment return	45,303	595,387	640,690
Contributions	-	135	135
Appropriation of endowment assets for expenditure	(10,570)	(149,565)	(160,135)
Endowment net assets, December 31, 2020	$ 370,223	$ 4,515,392	$ 4,885,615

9. Operating Leases

The Organization leases various buildings and equipment that are classified as operating leases. Future minimum lease payments as of December 31, 2020 are as follows:

2021	$ 601,912
2022	71,672
2023	10,372
2024	10,512
2025	9,757
Total	$ 704,225

Rent expense on the operating leases was $1,282,165 and $1,446,976 for the years ended December 31, 2020 and 2019, respectively.

The Organization leases a portion of their 10320 Bren Road facility to an unrelated party. Future lease receipts as of December 31, 2020 are as follows:

2021	$ 289,640
2022	296,881
2023	304,303
2024	311,910
2025	319,709
Thereafter	327,700
Total	$ 1,850,143

Rent revenue was $282,575 and $275,683 for the years ended December 31, 2020 and 2019, respectively.

10. 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 $500 and $0 for the years ended December 31, 2020 and 2019, respectively.

11. 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.

12. Concentrations

The Organization received approximately $16,043,000 and $21,531,000 of its funding from the State of Minnesota during the years ended December 31, 2020 and 2019, 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 2021, 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.

13. Impact of COVID-19

As a result of the spread of the COVID-19 coronavirus pandemic, on March 18, 2020, five of the Organization's facilities stopped providing day services resulting in a significant decrease in the Organization's revenue stream, as well as staff furloughs. The pandemic also resulted in additional staffing requirements at the Organization's residential facilities to support the stay at home requirements. The operational and financial impact of the COVID-19 pandemic continued during 2020 with day services re-opening later in the year, but at a very limited capacity to support social distancing and face mask protocols. Some virtual services were offered.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Organization received approximately $1,439,000 of this funding in 2020. In accordance with the original terms and conditions, the Organization could apply the funding against lost revenues and eligible expenses. Noncompliance with the terms and conditions could result in repayment of some or all of the support. The Department of Health and Human Services (HHS) has indicated Relief Fund payments are subject to future reporting and audit requirements.

The Organization has incurred lost revenues and eligible expenses in accordance with the original terms and conditions of the Provider Relief Fund as of December 31, 2020 of approximately $509,000, which are included in government grants in the consolidated statement of activities. The remaining $930,000 is included in deferred income on the December 31, 2020 consolidated statement of financial position as the Organization has determined the recognition criteria has not yet been met as of year-end.

Additionally, the Organization has received approximately $579,000 of state funding related to COVID-19.

14. Subsequent Events

The Organization has evaluated subsequent events through June 30, 2021, which is the date that the consolidated financial statements were available for issue.