

OPPORTUNITY, INC. OF PALM BEACH COUNTY

(A Not-for-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2020

**FRIEDMAN FELDMESSER & KARPELES CPA LLC
CERTIFIED PUBLIC ACCOUNTANTS**

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 - 2 |
| FINANCIAL STATEMENTS: | |
| Statement of Financial Position | 3 |
| Statement of Activities and Change in Net Assets | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 - 14 |
| OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS | |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Complaince and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 15 |



FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Opportunity, Inc. of Palm Beach County
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying statement of financial position of Opportunity, Inc. of Palm Beach County, as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity, Inc. of Palm Beach County, as of June 30, 2020, and the change in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated, January 22, 2021 on our consideration of Opportunity, Inc. of Palm Beach County's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Opportunity, Inc. of Palm Beach County's internal control over financial reporting or compliance.

Friedman, Feldmesser & Karpeles, CPA, LLC

Friedman, Feldmesser & Karpeles, CPA, LLC
Jupiter, Florida
January 22, 2021

OPPORTUNITY, INC. OF PALM BEACH COUNTY
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

| ASSETS | <u>2020</u> |
|--|-----------------------------|
| Cash and Cash Equivalents | \$ 205,483 |
| Investments, at Market | 2,772,270 |
| Grants Receivable | 16,254 |
| Tuition Receivable | 20,700 |
| Prepaid Insurance | 62,701 |
| Other Assets | 1,992 |
| Property Held for Sale, net of Accumulated Depreciation | 903,074 |
| Building, Land and Improvements net of Accumulated Depreciation | <u>9,631,905</u> |
| TOTAL ASSETS | <u><u>\$ 13,614,379</u></u> |
| LIABILITIES AND NET ASSETS | |
| LIABILITIES | |
| Accounts Payable and Accrued Expenses | \$ 58,782 |
| Insurance Payable | 7,452 |
| Line of Credit - First Bank of the Palm Beaches | 23,657 |
| Line of Credit - Stifel | 765,000 |
| SBA Payroll Protection Loan | <u>225,992</u> |
| TOTAL LIABILITIES | <u>1,080,883</u> |
| NET ASSETS | |
| Without Donor Restrictions | 10,566,669 |
| With Donor Restrictions | <u>1,966,828</u> |
| TOTAL NET ASSETS | <u>12,533,496</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 13,614,379</u></u> |

The accompanying notes are an integral part of these financial statements.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
(A Not-For-Profit Corporation)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2020

| | <u>WITHOUT DONOR RESTRICTIONS</u> | <u>WITH DONOR RESTRICTIONS</u> | <u>TOTAL</u> |
|---|---------------------------------------|------------------------------------|-----------------------------|
| REVENUES AND OTHER SUPPORT | | | |
| Tuition Income | \$ 565,563 | \$ - | \$ 565,563 |
| Grant Income | 549,914 | 235,541 | 785,455 |
| Special Events: | | | |
| Special Events Revenue | 228,276 | - | 228,276 |
| Direct Special Events Expenses | (93,043) | - | (93,043) |
| Net Special Event Income | <u>135,232</u> | <u>-</u> | <u>135,232</u> |
| Expansion Project | - | 336,116 | 336,116 |
| Field Trip Income | 16,357 | - | 16,357 |
| Investment Income (loss), Net | 5,040 | 13,915 | 18,955 |
| Donations and Other Income | 46,153 | 406,500 | 452,653 |
| Net Assets Released from Restrictions | <u>428,110</u> | <u>(428,110)</u> | <u>-</u> |
| TOTAL REVENUES AND OTHER SUPPORT | <u><u>1,746,370</u></u> | <u><u>563,962</u></u> | <u><u>2,310,331</u></u> |
| EXPENSES | | | |
| Program Services | | | |
| Daycare and Education | 2,154,230 | - | 2,154,230 |
| Supporting Services | | | |
| General and Administrative | 252,131 | - | 252,131 |
| Fund-Raising | <u>73,933</u> | <u>-</u> | <u>73,933</u> |
| TOTAL EXPENSES | <u><u>2,480,294</u></u> | <u><u>-</u></u> | <u><u>2,480,294</u></u> |
| CHANGE IN NET ASSETS | (733,924) | 563,962 | (169,963) |
| NET ASSETS, BEGINNING | <u>11,300,593</u> | <u>1,402,866</u> | <u>12,703,459</u> |
| NET ASSETS, ENDING | <u><u>\$ 10,566,669</u></u> | <u><u>\$ 1,966,828</u></u> | <u><u>\$ 12,533,496</u></u> |

The accompanying notes are an integral part of these financial statements.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
(A Not-For-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

| | <u>TOTAL</u> | <u>PROGRAM</u> | <u>GENERAL AND ADMINISTRATIVE</u> | <u>FUND-RAISING</u> |
|---|---------------------|---------------------|---------------------------------------|---------------------|
| Allocation of Functional Expenses: | | | | |
| Salaries, benefits and payroll taxes | \$ 1,541,125 | \$ 1,309,956 | \$ 184,935 | \$ 46,234 |
| Clinic | 2,593 | 2,567 | 26 | - |
| COVID-19 Expenses | 13,565 | 11,123 | 1,763 | 678 |
| Development | 4,284 | 3,513 | 557 | 214 |
| Insurance | 61,611 | 50,521 | 8,009 | 3,081 |
| Food | 102,683 | 101,143 | 1,540 | - |
| Education and Family Development | 33,100 | 32,769 | 331 | - |
| Repairs and Maintenance | 113,673 | 101,169 | 11,367 | 1,137 |
| Utilities | 48,304 | 39,609 | 6,280 | 2,415 |
| Office Expense | 16,415 | 13,460 | 2,134 | 821 |
| Depreciation | 279,617 | 262,840 | 13,981 | 2,796 |
| Credit Card Discount Fee | 11,029 | 9,043 | 1,434 | 551 |
| Professional Fees | 42,175 | 39,223 | 2,109 | 844 |
| Interest | 32,513 | 26,661 | 4,227 | 1,626 |
| RAAM Expenses | 9,200 | - | 92 | 9,108 |
| Field Trips & Other | 5,608 | 4,598 | 729 | 280 |
| Garden Education | 1,190 | 1,178 | 12 | - |
| Advertising and marketing | 10,462 | 8,579 | 1,360 | 523 |
| Security | 52 | 43 | 7 | 3 |
| Training | 4,619 | 3,788 | 601 | 231 |
| Enrichment Program | 50,122 | 48,618 | 1,002 | 501 |
| Other | 96,355 | 83,829 | 9,635 | 2,891 |
| TOTAL EXPENSES | \$ 2,480,294 | \$ 2,154,230 | \$ 252,131 | \$ 73,933 |

The accompanying notes are an integral part of these financial statements.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
(A Not-For-Profit Corporation)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

| | 2020 |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| (DECREASE) IN NET ASSETS | \$ (169,963) |
| ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES | |
| Depreciation Expense | 279,617 |
| (INCREASE) DECREASE IN OPERATING ASSETS | |
| Grants Receivable | 13,786 |
| Tuition Receivable, Net of Allowance for Uncollectible Accounts | 5,334 |
| Prepaid Expenses | 14,880 |
| Prepaid Insurance | (32,358) |
| Other Assets | (1,693) |
| (DECREASE) IN OPERATING LIABILITIES | |
| Accounts Payable and Accrued Expenses | (86,674) |
| Insurance Payable | (3,272) |
| Deferred Lease Buyout | (1,736) |
| Construction Project Liabilities | (2,837) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 15,084 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Acquisition of Building, Land and Improvements | (438,273) |
| Acquisition of Investments | (285,821) |
| Net Proceeds from Investments | 18,955 |
| NET CASH FLOWS (USED IN) INVESTING ACTIVITIES | (705,139) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| SBA Payroll Protection Loan | 225,992 |
| NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | 225,992 |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (464,063) |
| CASH AND CASH EQUIVALENTS AT JUNE 30, 2019 | 669,546 |
| CASH AND CASH EQUIVALENTS, AT JUNE 30, 2020 | \$ 205,483 |

The accompanying notes are an integral part of these financial statements.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Opportunity, Inc. of Palm Beach County (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

Organization

Founded in 1939, Opportunity, Inc. of Palm Beach County became a Florida based 501(c) (3) not-for-profit Corporation in 1948. The Organization offers a comprehensive nationally accredited program of school readiness training, fine and performing arts, recreation, health and nutrition, social development and field trips. Each program is specifically designed to prepare children to begin kindergarten on an equal footing with their higher income classmates. The Organization currently serves 96 children and their families and there are currently more than 300 children on the waiting list. The Organization is rated four stars by Charity Navigator, is accredited by the National Accreditation Commission, has received the Gold Seal of School Excellence from the Florida Department of Children and Families. Opportunity employs highly qualified preschool teachers who are required to pursue continued education in early childhood development.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was January 1, 2018.

Financial Statement Presentation

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purpose from time to time.

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

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 public support and revenue, and expenses during the reporting period. Actual results could differ from those estimates.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support

Unconditional contributions and grants are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. Donor-restricted contributions and grants whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions and grants restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Tuition Income

Tuition fees are billed weekly and are recognized as revenue in the period in which the related services commence. Tuition fees are charged on a sliding fee scale according to a family's ability to pay.

Grant Income

The Organization receives various grants from state, local and private agencies for its program and supporting services. These grants are generally on a cost reimbursement basis. Revenues from grants are deemed earned and recognized on the Statement of Activities when expenditures are made for the purposes specified.

Fund-Raising Activities

The Organization's financial statements are presented in accordance with Accounting Standard Codification 958 ("ASC") *Accounting for Costs of Activities of Non-For-Profit Organizations and State and Local Governments Entities that include Fund Raising* (formerly statement of position 98-2), The ASC established criteria for accounting and reporting for any activity that solicits contributions.

Donations

Assets donated to the Organization are recorded at fair value if determinable, at the date of donation. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Investments

Investments consist of a managed portfolio of mutual funds and equity securities which are reported at their fair values on the statement of financial position. Investment returns are presented on the statement of activities as investment income, net and includes dividends, interest income, realized and unrealized gains and losses on investments, net of investment fees. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers money market accounts and all highly liquid investments purchased with a maturity of three months or less (if any) to be cash equivalents.

Property and equipment

Property and equipment purchases are recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives of the depreciable assets:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Building and improvements | 15 - 39 |
| Land improvements | 15 |
| Furniture, fixtures and equipment | 7 |
| Vehicles | 5 |

Allocation of Functional Expenses

The costs of providing program services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program services and general and administrative functions based on management's estimate of resources used.

Income taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Measure of Operations

The statement of activities and change in net assets report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Opportunity, Inc of Palm Beach County's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be more of an unusual or nonrecurring nature.

Subsequent Events

Subsequent events have been evaluated through January 21, 2021, the date the financial statements were available to be issued.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are measured and disclosed at fair value on a recurring basis by applying ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, as follows:

Level 1 inputs – These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement dates, such as stock quotes;

Level 2 inputs – These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly in active markets, such as yield curves or other market data;

Level 3 inputs – These are unobservable inputs for the asset or liability, such as discounted cash flows.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The following is a summary of the fair value classification of investments at, June 30, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------|-------------------------|-----------------|-----------------|-------------------------|
| Fixed Income / Low Volatility | \$ 671,737 | \$ - | \$ - | \$ 671,737 |
| Equity Securities / High Volatility | 2,100,533 | - | - | 2,100,533 |
| Total Investments at Fair Value | <u>\$ 2,772,270</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,772,270</u> |

The following is a summary of changes in investment fair value, which is presented as Investment income, net on the Statement of activities for the year ended June 30, 2020:

| | <u>2020</u> |
|---|----------------------|
| Dividends and Interest | \$ 68,353 |
| Realized Gain / (Loss) | (75,539) |
| Unrealized Gain / (Loss) | 41,944 |
| Less: Investment Fees | <u>(15,803)</u> |
| Total Investment Income (Loss), Net | <u>\$ 18,955</u> |

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in various banks considered to be high quality financial institutions, whereby interest and non-interest-bearing deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). At June 30, 2020, all cash balances held by the Organization are insured in accordance with FDIC guidelines.

The Organization maintains its investments at a high-quality brokerage firm, whereby holdings are insured up to \$500,000 by the Securities Investment Protection Corporation (“SIPC”). As of June 30, 2020, the Organization held on account approximately \$2,272,270 in excess of the insured limit. The Organization has not experienced any losses related to these uninsured balances and believes it is not exposed to any significant risk.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property Held for Sale

The Organization currently owns property at 1713 Quail Drive, which is the location of the facility occupied by the Organization prior to moving into their new facility in September 2019. As of June 30, 2020, this property is available for sale by the Organization and capitalized asset values and accumulated depreciation totals of the property are as follows:

| | 2020 |
|--|-------------------|
| Property Held for Sale | 1,564,807 |
| <i>Less: Accumulated Depreciation</i> | <i>(902,946)</i> |
| Property Held for Sale, less Accumulated Depreciation | <u>\$ 661,861</u> |

Building, Land and Improvements - Expansion Project

Building, Land and improvements include the cost of three properties on Donnelle Road and two properties on Westgate Road acquired by the Organization in June 2014 and in May 2016 for the purpose of expanding its early childhood learning services into a larger facility. The cost of such acquisitions aggregated \$1,410,000 and was financed initially by line of credit advances and subsequent capital campaign contributions (See Note 10). Additionally, the Organization has incurred costs for professional fees such as feasibility studies, surveys and architectural design fees which have been capitalized to Land and Land Improvements.

In addition, the Organization has capitalized \$8,687,235 of expenditures directed related to the expansion project. At June 30, 2020, the expansion project is complete and capitalized asset values and accumulated depreciation totals are as follows:

| | 2020 |
|---|---------------------|
| Building, Land and Improvements | 10,097,235 |
| <i>Less: Accumulated Depreciation</i> | <i>(237,811)</i> |
| Building, Land and Improvements, less Accumulated Depreciation | <u>\$ 9,859,424</u> |

NOTE 5 – LINES OF CREDIT

In July 2018, The Organization entered into a Line of Credit Agreement with Stifel Bank and Trust. The agreement calls for maximum borrowings up to \$765,000. The loan is payable monthly interest only and the rate of interest is variable based on the 30-day LIBOR and the rate spread is recast quarterly based upon value of assets pledged. The Organization concurrently transferred the investment account at Harris Bank to Stifel, which is being pledged as collateral. At June 30, 2020, the outstanding balance due was \$765,000 and the interest rate approximately 2.9%. The Organization used the funds from this line of credit to pay the balance owed to the contractor of the new facility.

In January 2019, the Organization entered into a new line of credit with First Bank of the Palm Beaches. The agreement calls for maximum borrowings up to \$912,000 through February 20, 2022, at which time the principal balance plus any accrued interest becomes due and payable. The loan is payable monthly interest only and the rate of interest is variable at prime with a floor rate of 5.50%, as stated by the bank. The collateral for the line of credit is the first mortgage on the school building located at 1713 Quail Drive, West Palm Beach, FL. At June 30, 2020, the outstanding balance due was \$23,657.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – COVID-19 PANDEMIC

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on organizations and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Opportunity Inc. is closely monitoring its investment portfolio and its liquidity and is actively working to minimize these declines. The extent of the impact of COVID-19 on Opportunity Inc.'s operational and financial performance was significant as the Organization was forced to shut down operations in March 2020 due to the pandemic. The Organization had a 16.99% decrease in tuition income for the fiscal year ending June 30, 2020, when compared with the prior year fiscal year ending June 30, 2019. Due to the cancelation of special events in accordance with COVID-19 local laws and ordinances, the Organization suffered a 49.79% decline in special events revenue for the fiscal year ending June 30, 2020, when compared with the prior year fiscal year ending June 30, 2019. In addition to material declines in tuition and special event income, the Organization also had an 83.30% decrease in donations without donor restrictions, which Opportunity Inc. is free to use at their own discretion.

Due to the adverse financial effects of COVID-19 on Opportunity Inc.'s day-to-day operations, on April 20, 2020, the Organization received loan proceeds in the amount of \$225,992 under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"). It provides loans to qualifying businesses up to 2.5 times of the average monthly payroll expense. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. Subsequent to year-end, the PPP Loan was forgiven by Small Business Administration (SBA). See Note 13 for further details.

NOTE 7 – LEASES

Copier Equipment

In November 2014, the Organization entered into a non-cancellable lease agreement for copier equipment. The lease agreement provides for sixty (60) monthly payments of \$699. On April 18, 2017 the Organization entered into a new non-cancelable copier lease arrangement. As part of the new lease arrangement, the new lessor gave the Organization \$21,669 to pay off the previous lease. The \$21,669 was recorded as a deferred liability, which was subsequently reduced monthly as payments were made on the old lease. At June 30, 2020, there is no remaining balance on the deferred liability as all contractual obligations have been met. The new lease arrangement requires 63 monthly payments of \$865, plus additional copy charges when copies are in excess of limit. Future minimum lease payments under these operating leases as of June 30, 2020, are as follows:

| <u>Year Ending</u> <u>June 30,</u> | <u>Amount</u> |
|---------------------------------------|------------------|
| 2021 | 10,380 |
| 2022 | 10,380 |
| 2023 | <u>2,595</u> |
| Total | <u>\$ 23,355</u> |

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – CONTINGENCIES

Grants and contributions from government agencies and foundations require the fulfillment of certain conditions set forth in the grant instrument or contribution stipulations. The Organization also receives significant funding from government tuition programs, pursuant to Provider Agreement Contracts, which support the operations of the Organization. These grants, contributions and tuition programs require specific supporting documentation to be maintained and fulfillment of certain conditions. Failure to fulfill the conditions set forth in the funding documents could result in significant fines, loss of funds from these grantors or loss of programs, depending on the severity of the violation.

NOTE 9 – RETIREMENT PLAN

The Organization has a 401(K) plan which is available to substantially all employees who meet certain eligibility requirements. The Organization adopted an accelerated eligibility option for existing employees. All new employees must be at least twenty-one years of age and complete one year of service and 1,000 hours of work. In 2020, the Organization made matching contributions of 100% of the employee's contribution up to a limit of 2% of each eligible employee's gross salary.

NOTE 10 – EXPANSION PROJECT

During the year ended June 30, 2016, a contribution of \$1,410,000 was received to purchase land for the construction of a new, larger facility for the Organization; \$510,000 was used to pay down the line of credit which initially funded the purchase of properties on Donnelle Road and \$900,000 was used to purchase two properties located on Westgate Road. An additional \$1,739,354, \$1,034,477, and \$336,116 in capital campaign contributions was received in fiscal year ended June 30, 2018, June 30, 2019 and June 30, 2020, respectively. These proceeds were donor restricted specifically for the construction of the new facility and were released for costs incurred for the project. No amounts remained donor restricted for the expansion project at June 30, 2020 as all of the donor restricted funds have been utilized for the expansion.

During the year ended June 30, 2020, \$441,110 was utilized for expansion project costs, inclusive of all hard and soft costs, and is capitalized as part of construction in progress. The Organization moved into the new facility in September 2019 and during the fiscal year, the Organization paid all remaining amounts owed to the general contractor.

In August 2017, the Organization entered into a Listing Agreement with a commercial real estate company (agency) for the right to sell the Organization's existing facility. The agreement expired in February 2018 and was renewed through September 30, 2018. In September 2018, the Organization once again renewed and extended this agreement with a new expiration date of March 31, 2020. During the 2019-20 fiscal year, the listing agreement expired per the terms above as the Organization did not renew the agreement.

NOTE 11 – DONOR RESTRICTED FUND

Donor restricted net assets are required by donor stipulations to be maintained by the Organization for specific purposes. The Organization's donor restricted net assets consist of contributions to establish an endowment fund, the income from which will be used in the Organization's operations as directed by the Donor, as well as scholarship fund contributions.

During the year-ended June 30, 2015, a scholarship fund was established to fund the cost of tuition for five (5) children within the student body each year. This gift consists of an original contribution of a \$500,000 which is to be held indefinitely. The income earned on the endowment fund investments will be used to fund program costs as directed by the Donor.

During the fiscal year-ended June 30, 2020, the Organization was awarded donor restricted grants from foundations aggregating \$235,540. These assets have been restricted by donors for the purpose of allocating funds towards program costs incurred by the Organization during the fiscal year. Spending authorization for this grant is only allowed for the donor specific reasons noted above. All funds received are maintained in separate investment accounts.

OPPORTUNITY, INC. OF PALM BEACH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – DONOR RESTRICTED FUND (CONTINUED)

Additionally, at June 30, 2020 the Organization has a total of \$406,500 in other donation specific restricted assets. These assets have been restricted by donors for the purpose of allocating funds towards program costs incurred by the Organization during the fiscal year and is at the discretion of the donors. Allocation of these funds is decided strictly by the donors of these monies.

At June 30, 2020, the Organization has a total of \$2,016,827 in donor restricted net assets.

Changes in the donor restricted fund as of June 30, 2020, consist of the following:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Donor Restricted Fund, July 1, 2019 | \$ - | \$ 1,402,866 | \$ 1,402,866 |
| Contributions | - | 742,616 | 742,616 |
| Grants | - | 235,541 | 235,541 |
| Investment Income, net | - | 13,915 | 13,915 |
| Donor-Approved Release From Restrictions | - | (428,110) | (428,110) |
| Donor Restricted fund, June 30, 2020 | <u>\$ -</u> | <u>\$ 1,966,828</u> | <u>\$ 1,966,828</u> |

NOTE 12 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

For the year ended June 30, 2020, donor restricted net assets were released from restrictions for the following purposes:

| | |
|---------------------------------------|-------------------|
| Donor Restricted Fund Income | \$ 91,994 |
| Expansion Project | <u>336,116</u> |
| Net Assets Released from Restrictions | <u>\$ 428,110</u> |

NOTE 13 – SUBSEQUENT EVENTS

In August 2020, the Organization entered a contingent commercial sales contract for the sale of the property that the Organization owns at 1713 Quail Drive, West Palm Beach, FL 33409. The contracted purchase price of the property is for \$1,350,000. The closing of the property is contingent on the property being subject to successfully being re-zoned to, "Commercial General" from its current zoning designation as determined by Palm Beach County, FL. Per the agreed upon contract, closing shall be within 15 days after final zoning approval, but no later than April 15, 2021. As part of the sales contract entered, the buyer paid an initial deposit of \$50,000 with an additional \$50,000 deposit to be made to an Escrow Agent after completion of the due diligence period. All deposits will be credited towards the purchase price of the property, with total of \$1,250,000 due from the buyer at closing.

In January 2021, the Organization received notice from the bank that their Small Business Association (SBA) Paycheck Protection Program (PPP) loan forgiveness request was approved. The bank received payment from the SBA inclusive of all accrued interest in the amount of \$227,587. Amounts remitted by the SBA to the bank paid the Organization's PPP loan in full and after receipt of payment, the Organization's remaining SBA Payroll Protection Loan balance is \$0.



FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Richard L. Karpeles, CPA

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors
Opportunity, Inc. of Palm Beach County
West Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Opportunity, Inc. of Palm Beach County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Opportunity, Inc. of Palm Beach County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Opportunity, Inc. of Palm Beach County's internal control. Accordingly, we do not express an opinion on the effectiveness of Opportunity, Inc. of Palm Beach County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Opportunity, Inc. of Palm Beach County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Friedman, Feldmesser & Karpeles, CPA, LLC
Jupiter, Florida
January 22, 2021