

OPPORTUNITY RESOURCE FUND
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
(with comparative totals for the year ended
December 31, 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Opportunity Resource Fund

We have audited the accompanying financial statements of Opportunity Resource Fund, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Resource Fund as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Report on Summarized Comparative Information*

We have previously audited Opportunity Resource Fund's 2019 financial statements, and we previously expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maney Costeiran PC

June 30, 2021

**OPPORTUNITY RESOURCE FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(with comparative totals for December 31, 2019)**

	Operating Fund	Loan Fund		Consumer Loan Fund	Endowment Fund	Eliminations	Totals	2019
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
ASSETS								
Cash and cash equivalents	\$ 1,183,514	\$ 2,672,244	\$ 3,003,365	\$ 274,355	\$ -	\$ -	\$ 7,133,478	\$ 5,657,393
Accounts receivable	-	62,677	15,000	-	-	-	77,677	113,877
Grants and contributions receivable	-	-	160,000	-	-	-	160,000	825,000
Accrued interest receivable	-	95,599	-	-	-	-	95,599	129,282
Due from other funds	-	33,437	455,177	-	-	(488,614)	-	-
Prepaid expenses and deposits	20,945	61,097	-	-	-	-	82,042	57,811
Loans receivable, net of allowance for loan losses of \$498,857 and \$470,534, respectively	-	12,180,841	3,607,183	-	-	-	15,788,024	13,458,670
Other assets	558	-	-	-	-	-	558	558
Beneficial interest in assets held by community foundations	82,883	-	-	-	10,500	-	93,383	89,777
Equipment and furnishings, at cost, net of accumulated depreciation of \$165,536 and \$159,092, respectively	16,808	5,539	-	-	-	-	22,347	26,438
TOTAL ASSETS	\$ 1,304,708	\$ 15,111,434	\$ 7,240,725	\$ 274,355	\$ 10,500	\$ (488,614)	\$ 23,453,108	\$ 20,358,806
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	\$ 1,514	\$ 68,593	\$ -	\$ -	\$ -	\$ -	\$ 70,107	\$ 19,696
Accrued payroll and related	32,891	-	-	-	-	-	32,891	27,713
Accrued interest payable	-	36,270	-	-	-	-	36,270	16,286
Notes payable	-	13,237,468	5,046,400	-	-	-	18,283,868	14,894,024
Escrow payable	-	55,118	628,798	-	-	-	683,916	398,559
Deferred revenue	-	-	428,549	-	-	-	428,549	379,989
Due to other funds	78,486	-	409,793	335	-	(488,614)	-	-
Due to the Department of Community Health	-	-	-	274,020	-	-	274,020	274,020
TOTAL LIABILITIES	112,891	13,397,449	6,513,540	274,355	-	(488,614)	19,809,621	16,010,287
NET ASSETS								
Without donor restrictions								
Undesignated	1,191,817	1,713,985	-	-	-	-	2,905,802	3,450,234
With donor restriction	-	-	727,185	-	10,500	-	737,685	898,285
TOTAL NET ASSETS	1,191,817	1,713,985	727,185	-	10,500	-	3,643,487	4,348,519
TOTAL LIABILITIES AND NET ASSETS	\$ 1,304,708	\$ 15,111,434	\$ 7,240,725	\$ 274,355	\$ 10,500	\$ (488,614)	\$ 23,453,108	\$ 20,358,806

See notes to financial statements.

**OPPORTUNITY RESOURCE FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(with comparative totals for the year ended December 31, 2019)**

	Operating Fund		Loan Fund		Endowment Fund	Totals	2019
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions		
REVENUES							
Contributions and grants	\$ 241,716	\$ -	\$ 50,000	\$ 25,000	\$ -	\$ 316,716	\$ 902,253
Contractual income	-	-	197,800	-	-	197,800	148,910
Interest on loans receivable	-	-	684,300	-	-	684,300	614,185
Investment return, net	3,990	-	234	-	-	4,224	13,724
Origination and late fees	-	-	139,008	-	-	139,008	111,717
Other income	2,361	-	9,254	-	-	11,615	18,523
Net assets released from restrictions	50,000	(50,000)	135,600	(135,600)	-	-	-
TOTAL REVENUES	298,067	(50,000)	1,216,196	(110,600)	-	1,353,663	1,809,312
EXPENSES							
Program services							
Community lending and investment	1,041,775	-	552,799	-	-	1,594,574	1,489,834
Total program services	1,041,775	-	552,799	-	-	1,594,574	1,489,834
Supporting services							
Management and general	453,131	-	-	-	-	453,131	492,478
Fundraising	10,990	-	-	-	-	10,990	-
Total supporting services	464,121	-	-	-	-	464,121	492,478
TOTAL EXPENSES	1,505,896	-	552,799	-	-	2,058,695	1,982,312
CHANGE IN NET ASSETS	(1,207,829)	(50,000)	663,397	(110,600)	-	(705,032)	(173,000)
NET ASSETS							
Beginning of year	880,788	50,000	2,569,446	837,785	10,500	4,348,519	4,521,519
Interfund transfers	1,518,858	-	(1,518,858)	-	-	-	-
End of year	\$ 1,191,817	\$ -	\$ 1,713,985	\$ 727,185	\$ 10,500	\$ 3,643,487	\$ 4,348,519

See notes to financial statements.

OPPORTUNITY RESOURCE FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(with comparative totals for the year ended December 31, 2019)

	Community Lending and Investment	Management and General	Fundraising	Total	2019
Payroll, benefits, and taxes	\$ 908,427	\$ 394,510	\$ 9,579	\$ 1,312,516	\$ 1,349,637
Interest on notes payable	284,617	-	-	284,617	248,968
Loan loss provision	28,323	-	-	28,323	(38,593)
Professional fees	136,335	21,170	514	158,019	119,169
Rent and utilities	76,918	15,159	368	92,445	89,774
Insurance and taxes	6,888	693	17	7,598	8,948
Telephone	6,110	1,093	27	7,230	7,590
Equipment leases and maintenance	10,251	2,011	48	12,310	11,909
Software maintenance	67,420	9,981	242	77,643	67,024
Depreciation	5,274	1,142	28	6,444	7,910
Expensed equipment	679	128	3	810	1,321
Advertising and sponsorships	229	22	-	251	1,038
Copies and printing	1,092	350	9	1,451	5,543
Dues, memberships, and subscriptions	18,790	340	8	19,138	12,208
Office supplies	3,180	732	18	3,930	3,975
Postage	3,166	854	21	4,041	3,552
Training, travel, and meetings	23,275	3,486	85	26,846	70,925
Bank and finance charges	2,901	1,272	18	4,191	10,017
Miscellaneous	10,699	188	5	10,892	1,397
Total expenses	\$ 1,594,574	\$ 453,131	\$ 10,990	\$ 2,058,695	\$ 1,982,312

See notes to financial statements.

**OPPORTUNITY RESOURCE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(with comparative totals for the year ended December 31, 2019)**

INCREASE (DECREASE) IN CASH AND CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (705,032)	\$ (173,000)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	6,444	7,910
Forgiveness of debt	-	(34,000)
Change in loan loss reserves	28,323	(38,593)
Unrealized (gain) loss on investments, net	(3,606)	(11,948)
Accounts receivable	36,200	13,010
Grants and contributions receivable	665,000	(25,000)
Accrued interest receivable	33,683	58,173
Prepaid expenses and deposits	(24,231)	(5,180)
Accounts payable	50,411	(6,303)
Accrued payroll and related	5,178	2,802
Accrued interest payable	19,984	(20,826)
Escrow payable	285,357	48,054
Deferred revenue and other	48,560	13,798
Total adjustments	1,151,303	1,897
Net cash provided (used) by operating activities	446,271	(171,103)
Cash flows from investing activities		
Proceeds from collection of loans receivable	2,839,794	2,639,313
Loans receivable issued	(5,237,769)	(3,048,190)
Purchase of fixed assets	(2,353)	(7,145)
Net cash used by investing activities	(2,400,328)	(416,022)
Cash flows from financing activities		
Proceeds from issuance of notes payable	5,632,041	3,971,310
Principal payments on notes payable	(2,201,899)	(2,406,154)
Net cash provided by financing activities	3,430,142	1,565,156
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,476,085	978,031
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	5,657,393	4,679,362
End of year	\$ 7,133,478	\$ 5,657,393

See notes to financial statements.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Opportunity Resource Fund (OppFund) maintains its accounting records on the accrual basis of accounting. Under this method, income and expenses are recognized in the period when they are earned or incurred.

Financial Statement Presentation - OppFund utilizes fund accounting and records its resources and the related activities within the following funds:

Operating Fund - The operating fund is used to account for the general operations.

Loan Fund - This fund consists primarily of cash and cash equivalents, loans receivable and notes payable. It is used to account for the investing and financing activities of monies used to assist borrowers with financing of low-income housing, economic development, small business loans, and single-family mortgages.

Consumer Loan Fund - This fund consists of the cash balance and related payable due to the Michigan Department of Community Health under OppFund's contract to manage a revolving consumer loan fund.

Endowment fund - This fund consists of permanently restricted capital invested to provide general operating monies from the investment income.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, cash in banks, money market accounts, and certificates of deposit with original maturities of 90 days or less.

Restricted Cash - Restricted cash must be used on projects in specific geographic areas or as collateral for loan agreements.

Equipment and Furnishings - Stated at cost and depreciated over their estimated useful lives using the straight-line method.

Revenue Recognition - OppFund generally measures revenue based on the amount of consideration it expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under the contract, except in transactions where U.S. GAAP provides other applicable guidance. Material revenue streams are reported separately on the statements of activities.

Loan Origination and Late Fees - Loan fees include the origination and late fees charged to the borrowers of OppFund. Loan origination fees are recognized as revenue upon closing of the loans when the cost of originating the loans is equal to or greater than the loan origination fees received. Late fees are recognized when charged to the borrower.

Loan Servicing Fees - OppFund recognizes loan servicing fees on the loans that it services. over the life of the loan. Loan serving fees received in advance of recognizing the revenue are recorded as deferred revenues.

Interest Income - Interest income on loans receivable is recognized as earned and accrued until payments are 90 days past due. The accrued interest balance relating to potentially impaired loans is a component of management's assessment of the allowance for loan loss.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant and Contributions Revenue - Grant and contribution revenue recognized by OppFund is comprised of contracts committed from various funding agencies for use in OppFund's activities. All funding sources are providing revenue streams to OppFund for the benefit of the public. Contract revenue is recognized as revenue upon receipt and meeting all conditional requirements of the funding arrangement. Any funds received in advance for which conditions of the agreement have not been met are recognized as refundable advances and then subsequently recognized as revenue upon meeting the conditions of the agreement.

Allowance for Loan Loss - Allowance for loan loss (ALL) is estimated and netted against loans receivable and the related accrued interest receivable. In management's judgment, the ALL is adequate to absorb potential losses inherent in the receivables and is based on management's evaluation of the collectability of the receivables by applying an extensive risk rating system to each loan receivable outstanding. The risk rating system considers such factors as the individual or organization's financial strength, related collateral, project characteristics, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. Generally, loans are considered delinquent when a payment is 30 days past due and uncollectible loans are written off when all reasonable methods of collection have been exhausted. As a result of uncertainties associated with economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible management's estimate of credit losses inherent in the loan portfolio and the related ALL may change in the near term. However, the amount of change which is reasonably possible cannot be estimated. The ALL is increased or decreased through charges or credits to the loan loss provision which is net of recoveries and amounts directly written off.

Functional Allocation of Expenses - The costs of providing the various programs and activities has been summarized on a functional basis in the statements of activities and functional expenses. Payroll, interest, loan loss provision, forgivable grants and professional fees have been directly expensed. Predominantly all other costs have been allocated based on time and space studies or other management's estimates.

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our borrowers, lenders, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

OppFund evaluates events and transactions occurring after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through June 30, 2021, which is the date the financial statements were available to be issued.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. OppFund has no designated net assets without donor restriction at December 31, 2020 and 2019.

Net Assets with Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (See Note 8).

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

NOTE 2 - NATURE OF OPERATIONS, RISKS, AND UNCERTAINTIES

OppFund promotes affordable homes, small business ownership, single family mortgages, strong communities, and fosters social and economic justice by providing loans and development services throughout Michigan. On November 19, 2010, OppFund changed its name from Michigan Interfaith Trust Fund to Opportunity Resource Fund. It was formed on December 14, 2004 upon the merger of the Michigan Housing Trust Fund and the Michigan McGehee Interfaith Loan Fund. It is a non-profit corporation granted exemption from federal income taxes under Internal Revenue Code Section 501(c)(3) and a certified community development financial institution.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF OPERATIONS, RISKS AND UNCERTAINTIES (continued)

OppFund is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject OppFund to concentrations of credit risk consist principally of cash, grants and contracts receivable and loans receivable together with related interest. OppFund places its cash deposits with federally insured financial institutions. Although such deposits exceeded the federally insured limits at certain times during the year and at year-end, in the opinion of management, they are subject to minimal risk. OppFund's grants and contracts receivable and contributions receivable were comprised mainly of receivables from granting agencies and major donors and the concentration of credit risk is considered minimal. Concentrations of credit risk with respect to loans receivable are limited due to the large number of notes receivables outstanding to different organizations. It is OppFund's policy to lend no more than 15% of its total portfolio (outstanding loans receivable) to any one organization. OppFund typically maintains a security interest (generally real estate) for loans receivable. Nonetheless, its ability to collect amounts due is affected by economic conditions in the industries and regions in which OppFund operates.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

OppFund obtains loan funds primarily from not-for-profit organizations and individuals in exchange for promissory notes payable. Notes payable outstanding from major lenders (certain lenders with loans exceeding 10% of total notes payable outstanding) at December 31, as follows:

Note holder	2020	2019
A	29%	31%
B	-	9%
C	25%	18%
D	5%	-

At December 31, 2020, OppFund has outstanding commitments to loan approximately \$1,352,626.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at December 31, 2020 and 2019:

	2020	2019
Financial assets without donor restrictions		
Cash and cash equivalents		
Operating fund	\$ 1,183,514	\$ 802,499
Loan fund	2,672,244	1,987,416
Accounts receivable - loan fund	62,677	90,247
Accrued interest receivable - loan fund	95,599	129,282
Current portion of loan receivable	1,313,735	1,076,387
 Total financial assets at year-end	 5,327,769	 4,085,831
 Add restricted contribution receivable appropriated for next year	 -	 50,000
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 5,327,769	 \$ 4,135,831

OppFund receives significant contributions restricted by donors, and considers contributions restricted for programs, which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. OppFund, manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. OppFund structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The consumer loan fund cash is not available for general expenditure and therefore is excluded from financial assets above.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist of amounts to be received in future years as follows at December 31, 2020:

	2020	2019
Grants and contributions receivable		
CDFI	\$ -	\$ 565,000
Cinnaire Lending Corporation	140,000	210,000
TCF bank	-	50,000
LICS	20,000	-
	\$ 160,000	\$ 825,000

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LOANS RECEIVABLE

OppFund has several loans receivable ranging in duration from one to 30 years carrying interest rates of 0.0% to 9.0%. Loans receivable as of December 31, 2020 and 2019 by portfolio segment are as follows:

	<u>2020</u>	<u>2019</u>
Real estate	\$ 3,836,047	\$ 4,422,574
Economic development and small business	2,187,668	2,111,358
SBA Payroll Protection Program	1,181,145	-
Homeownership	<u>9,082,021</u>	<u>7,395,272</u>
	16,286,881	13,929,204
Less allowance for loan losses	<u>(498,857)</u>	<u>(470,534)</u>
	<u><u>\$ 15,788,024</u></u>	<u><u>\$ 13,458,670</u></u>

Loans receivable aging, by portfolio segment is as follows:

	<u>December 31, 2020 Days Past Due</u>				<u>Total</u>
	<u>Current</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>Greater than 90</u>	
Real estate	\$ 3,836,047	\$ -	\$ -	\$ -	\$ 3,836,047
Economic development and small business	2,027,353	-	-	160,315	2,187,668
SBA Payroll Protection Program	1,181,145	-	-	-	1,181,145
Homeownership	<u>8,578,921</u>	<u>102,704</u>	<u>-</u>	<u>400,396</u>	<u>9,082,021</u>
	<u><u>\$ 15,623,466</u></u>	<u><u>\$ 102,704</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 560,711</u></u>	<u><u>\$ 16,286,881</u></u>

Activity in allowance for loan losses, by segment is as follows:

	January 1, 2020	Loan Loss Provision	Charge-offs	December 31, 2020
	<u>Allowance for Loan Loss</u>			<u>Allowance for Loan Loss</u>
Real estate	\$ 79,402	\$ 26,936	\$ -	\$ 106,338
Economic development and small business	212,903	(32,405)	-	180,498
Homeownership	<u>178,229</u>	<u>33,792</u>	<u>-</u>	<u>212,021</u>
	<u><u>\$ 470,534</u></u>	<u><u>\$ 28,323</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 498,857</u></u>

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LOANS RECEIVABLE (continued)

Loan receivable maturities as of December 31, 2020 consist of the following:

Year Ending December 31,	Aggregate Principal Balance
2021	\$ 1,313,735
2022	1,168,723
2023	876,472
2024	1,217,545
2025	1,109,136
2026 and thereafter	10,601,270
	\$ 16,286,881

NOTE 6 - ASSET HELD AT COMMUNITY FOUNDATIONS

The amount held at the Capital Region Community Foundation and Southeast Michigan Community Foundation totaled \$93,383 and \$89,777 at December 31, 2020 and 2019, respectively. Variance power has been granted at both foundations. During 2020 and 2019, these assets experienced gains of \$3,606 and \$11,948, respectively.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - NOTES PAYABLE

Unsecured notes payable as of December 31 consists of the following:

	2020	2019
Promissory notes, due to various not-for-profit organizations, community development corporations and individuals, with interest rates ranging between 0% and 5.25%, maturing through December 2029:		
Secured - loans receivable with an aggregate book value of \$3,660,622 and \$3,402,968 for 2020 and 2019, respectively were pledged as collateral for secured notes payable.	\$ 5,469,128	\$ 4,682,962
Unsecured	7,153,400	6,646,996
	12,622,528	11,329,958
 Promissory notes and line of credit, due to banks, with interest payable between 2.00% and 3.25%, maturing through November 2029:		
Secured - loans receivable with an aggregate book value of \$1,510,781 for 2019 were pledged as collateral for secured notes payable.		2,852,826
Unsecured	5,661,340	711,240
	\$ 18,283,868	\$ 14,894,024

Promissory note maturities in effect at December 31, 2020 are summarized as follows

Year Ending December 31,	
2021	\$ 778,818
2022	2,849,386
2023	2,388,179
2024	671,072
2025	1,449,157
2026 and thereafter	10,147,256
	\$ 18,283,868

OppFund entered into an Equity-Equivalent (EQ2) loan arrangement for \$5,000,000 with a bank in November 2019 at 3% interest, which matures in November 2029. The EQ2 is a long-term deeply subordinated loan with features that make it function like equity. OppFund has drawn \$5,000,000 and \$2,602,826 as of December 31, 2020 and 2019, respectively.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose		
Detroit based single family mortgages	\$ 546,098	\$ 611,698
LIETCH	140,000	210,000
LICS	25,000	-
Detroit based community lending	<u>16,087</u>	<u>16,087</u>
Total net assets subject to expenditure for specific purpose	<u>727,185</u>	<u>837,785</u>
Subject to passage of time		
Grand Rapids Community Foundation grant	<u>-</u>	<u>50,000</u>
Endowment fund		
Original gifts in perpetuity subject to spending policy and appropriations	<u>10,500</u>	<u>10,500</u>
Total net assets with donor restrictions	<u>\$ 737,685</u>	<u>\$ 898,285</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Program expenses - grant revenue	\$ 135,600	\$ 1,611,898
Satisfaction of time restrictions		
Contributions	<u>50,000</u>	<u>50,000</u>
Total net assets released from restriction	<u>\$ 185,600</u>	<u>\$ 1,661,898</u>

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) has been interpreted by OppFund as requiring the preservation of historic values absent explicit donor stipulations to the contrary. OppFund's lending program with donor restrictions does not require the historic value to be replaced when loan losses occur.

As noted, OppFund has received monies restricted to Detroit-based community lending. When not utilized for loans, these funds are deposited into cash or cash equivalent instruments. Income generated from the loans and the deposits are without donor restrictions. Loan loss amounts, when they occur are charged to the net assets with donor restrictions.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

The following is a summary of net asset with donor restriction activity for the Loan and Endowment funds for the year ended December 31, 2020:

	<u>Loan Fund</u>	<u>Endowment Fund</u>
Balance, January 1, 2020	\$ 16,087	\$ 10,500
Investment income - unrestricted	1,891	-
Appropriated for unrestricted operations	<u>(1,891)</u>	<u>-</u>
Balance, December 31, 2020	<u>\$ 16,087</u>	<u>\$ 10,500</u>

NOTE 9 - OPERATING LEASE

OppFund leases office space under three operating leases expiring through November 2026. Total rent expense was \$92,445 and \$89,773 for 2020 and 2019, respectively. The total minimum annual payments under the lease agreement are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 81,967
2022	54,400
2023	52,600
2024	52,600
2025	52,600

NOTE 10 - SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest expense was approximately \$264,000 and \$270,000 for 2020 and 2019, respectively. Non cash forgiveness of debt was recorded as contribution revenue during 2020 and 2019 in the amount of \$0 and \$34,000, respectively.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a hierarchy that prioritizes the inputs to valuation techniques giving highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy under generally accepted accounting principles are described below.

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk, and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs reflect OppFund's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The assets fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2020 and 2019, respectively.

Beneficial interest in Assets held at Community Foundations: Valued by the foundations as the OppFund's portion of the total fair values of the underlying securities held by the foundations.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the OppFund 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 fair value measurement at the reporting date.

**OPPORTUNITY RESOURCE FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - FAIR VALUE MEASUREMENTS (continued)

The following are major categories of assets measured at fair value on a recurring basis as of December 31, 2020 and 2019:

Description	2020			Total December 31, 2020
	Level 1	Level 2	Level 3	
Beneficial interest in assets held by community foundations	\$ -	\$ 93,383	\$ -	\$ 93,383

Description	2019			Total December 31, 2019
	Level 1	Level 2	Level 3	
Beneficial interest in assets held by community foundations	\$ -	\$ 89,777	\$ -	\$ 89,777

NOTE 12 - SUBSEQUENT EVENTS

On June 15, 2021, the OppFund was awarded a \$1.8 million grant from the CDFI under the Rapid Response Program. In March 2021 the \$236,000 Paycheck Protection Program loan obtained in April 2020 was fully forgiven. This note payable is included in the promissory notes due to banks - unsecured in Note 7 at December 31, 2020.