

**OPPORTUNITY RESOURCE FUND**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(with comparative totals for the year**  
**ended December 31, 2021)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
Opportunity Resource Fund

### ***Opinion***

We have audited the accompanying financial statements of Opportunity Resource Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Opportunity Resource Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 12 to the financial statements, management has implemented FASB Accounting Standard Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Opportunity Resource Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Opportunity Resource Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Opportunity Resource Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying adjusted net worth computation is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such item directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the adjusted net worth computation is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited Opportunity Resource Fund's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Maney Costeiran PC*

March 29, 2023

**OPPORTUNITY RESOURCE FUND  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022  
(with comparative totals for December 31, 2021)**

	Operating	Loan Fund		Consumer	Endowment		Totals	2021
	Fund	Without Donor	With Donor	Loan Fund	Without Donor	With Donor		
	Without Donor	Restrictions	Restrictions	Without Donor	Restrictions	Restrictions		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 776,552	\$ 5,327,062	\$ 1,783,715	\$ 274,020	\$ -	\$ -	\$ 8,161,349	\$ 8,973,011
Accounts receivable	-	114,802	-	-	-	-	114,802	69,104
Grants and contributions receivable	-	75,000	3,500,000	-	-	-	3,575,000	70,500
Accrued interest receivable	-	111,868	-	-	-	-	111,868	151,533
Prepaid expenses and deposits	21,116	31,336	-	-	-	-	52,452	40,261
Loans receivable, net of allowance for loan losses of \$658,574 and \$561,645, respectively	-	11,534,504	3,081,085	-	-	-	14,615,589	22,362,727
Other assets	558	-	-	-	-	-	558	558
Beneficial interest in assets held by community foundations	-	-	-	-	81,800	10,500	92,300	117,025
Operating lease right-of-use asset	189,439	-	-	-	-	-	189,439	-
Equipment and furnishings, at cost, net of accumulated depreciation of \$166,482 and \$162,583, respectively	4,670	1,214	-	-	-	-	5,884	10,675
<b>TOTAL ASSETS</b>	<b>\$ 992,335</b>	<b>\$ 17,195,786</b>	<b>\$ 8,364,800</b>	<b>\$ 274,020</b>	<b>\$ 81,800</b>	<b>\$ 10,500</b>	<b>\$ 26,919,241</b>	<b>\$ 31,795,394</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 6,505	\$ 25,194	\$ -	\$ -	\$ -	\$ -	\$ 31,699	\$ 31,177
Accrued payroll and related	38,257	-	-	-	-	-	38,257	1,859
Accrued interest payable	-	65,449	-	-	-	-	65,449	76,344
Notes payable	-	12,912,904	4,505,753	-	-	-	17,418,657	24,917,145
Escrow payable	-	115,462	217,613	-	-	-	333,075	335,230
Deferred revenue	-	381,177	-	-	-	-	381,177	408,906
Operating lease liability	189,439	-	-	-	-	-	189,439	-
Due to the Department of Community Health	-	-	-	274,020	-	-	274,020	274,020
<b>TOTAL LIABILITIES</b>	<b>234,201</b>	<b>13,500,186</b>	<b>4,723,366</b>	<b>274,020</b>	<b>-</b>	<b>-</b>	<b>18,731,773</b>	<b>26,044,681</b>
<b>NET ASSETS</b>								
Without donor restrictions								
Undesignated	758,134	3,695,600	-	-	-	-	4,453,734	4,784,360
Board designated	-	-	-	-	81,800	-	81,800	106,525
With donor restrictions	-	-	3,641,434	-	-	10,500	3,651,934	859,828
<b>TOTAL NET ASSETS</b>	<b>758,134</b>	<b>3,695,600</b>	<b>3,641,434</b>	<b>-</b>	<b>81,800</b>	<b>10,500</b>	<b>8,187,468</b>	<b>5,750,713</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 992,335</b>	<b>\$ 17,195,786</b>	<b>\$ 8,364,800</b>	<b>\$ 274,020</b>	<b>\$ 81,800</b>	<b>\$ 10,500</b>	<b>\$ 26,919,241</b>	<b>\$ 31,795,394</b>

See notes to financial statements.

**OPPORTUNITY RESOURCE FUND  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022  
(with comparative totals for the year ended December 31, 2021)**

	Operating Fund		Loan Fund		Endowment Fund		Totals	2021
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions			
<b>REVENUES</b>								
Grants	\$ 2,609	\$ 150,000	\$ 3,525,000	\$ -	\$ -	\$ 3,677,609	\$ 2,214,102	
Contributions of cash and other financial assets	39,372	-	-	-	-	39,372	-	
Contractual income	-	148,724	-	-	-	148,724	214,759	
Interest on loans receivable	-	758,881	-	-	-	758,881	814,559	
Investment return, net	548	3,788	-	(24,725)	-	(20,389)	24,157	
Origination and late fees	-	83,875	-	-	-	83,875	752,361	
Forgiveness of PPP loan	-	235,875	-	-	-	235,875	236,000	
Other income	1,275	9,913	-	-	-	11,188	6,292	
Net assets released from restrictions	-	732,894	(732,894)	-	-	-	-	
<b>TOTAL REVENUES</b>	<b>43,804</b>	<b>2,123,950</b>	<b>2,792,106</b>	<b>(24,725)</b>	<b>-</b>	<b>4,935,135</b>	<b>4,262,230</b>	
<b>EXPENSES</b>								
Program services								
Community lending and investment	1,228,264	803,604	-	-	-	2,031,868	1,710,858	
Supporting services								
Management and general	463,274	-	-	-	-	463,274	430,480	
Fundraising	3,238	-	-	-	-	3,238	13,666	
<b>Total supporting services</b>	<b>466,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>466,512</b>	<b>444,146</b>	
<b>TOTAL EXPENSES</b>	<b>1,694,776</b>	<b>803,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,498,380</b>	<b>2,155,004</b>	
<b>CHANGE IN NET ASSETS</b>	<b>(1,650,972)</b>	<b>1,320,346</b>	<b>2,792,106</b>	<b>(24,725)</b>	<b>-</b>	<b>2,436,755</b>	<b>2,107,226</b>	
<b>NET ASSETS</b>								
Beginning of year	1,429,106	3,355,254	849,328	106,525	10,500	5,750,713	3,643,487	
Interfund transfers	980,000	(980,000)	-	-	-	-	-	
<b>End of year</b>	<b>\$ 758,134</b>	<b>\$ 3,695,600</b>	<b>\$ 3,641,434</b>	<b>\$ 81,800</b>	<b>\$ 10,500</b>	<b>\$ 8,187,468</b>	<b>\$ 5,750,713</b>	

See notes to financial statements.

**OPPORTUNITY RESOURCE FUND  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022  
(with comparative totals for the year ended December 31, 2021)**

	Program Services	Support Services			2021
	Community Lending and Investment	Management and General	Fundraising	Total	
Payroll, benefits, and taxes	\$ 1,024,341	\$ 386,360	\$ 2,698	\$ 1,413,399	\$ 1,180,547
Interest on notes payable	338,399	-	-	338,399	343,823
Loan loss provision	96,929	-	-	96,929	62,787
Property charge off	36,894	-	-	36,894	72,577
Professional fees	185,861	31,366	220	217,447	138,699
Rent and utilities	83,691	14,379	100	98,170	93,362
Insurance and taxes	9,517	1,449	10	10,976	13,092
Telephone	9,132	2,501	17	11,650	13,130
Equipment/software leases and maintenance	69,401	13,918	98	83,417	89,287
Depreciation	3,936	850	6	4,792	11,672
Expensed equipment	26,783	2,536	18	29,337	4,867
Advertising and sponsorships	23	27	1	51	1,708
Copies and printing	1,901	487	3	2,391	3,920
Dues, memberships, and subscriptions	10,424	932	7	11,363	20,582
Office supplies	-	-	-	-	2,128
Postage	3,686	24	1	3,711	3,254
Training, travel, and meetings	62,490	5,910	41	68,441	21,423
Grants given	37,832	-	-	37,832	59,833
Bank and finance charges	13,918	840	6	14,764	13,083
Miscellaneous	16,710	1,695	12	18,417	5,230
<b>Total expenses</b>	<b>\$ 2,031,868</b>	<b>\$ 463,274</b>	<b>\$ 3,238</b>	<b>\$ 2,498,380</b>	<b>\$ 2,155,004</b>

See notes to financial statements.



**OPPORTUNITY RESOURCE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022  
(with comparative totals for the year ended December 31, 2021)**

	2022	2021
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash flows from operating activities		
Change in net assets	\$ 2,436,755	\$ 2,107,226
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	4,792	11,672
Forgiveness of notes payable	24	(6,332)
Forgiveness of PPP loan	(235,875)	(236,000)
Change in loan loss reserves	96,929	62,787
Property charge off	36,894	72,577
Unrealized (gain) loss on investments, net	24,725	(23,641)
Accounts receivable	(45,698)	8,573
Grants and contributions receivable	(3,504,500)	89,500
Accrued interest receivable	39,665	(55,934)
Prepaid expenses and deposits	(12,191)	41,781
Operating lease right-of-use asset	50,519	-
Accounts payable	522	(38,930)
Accrued payroll and related	36,398	(31,032)
Accrued interest payable	(10,895)	40,074
Escrow payable	(2,156)	(348,686)
Deferred revenue and other	(27,729)	(19,643)
Operating lease liabilities	(50,519)	-
Total adjustments	(3,599,095)	(433,234)
Net cash provided (used) by operating activities	(1,162,340)	1,673,992
Cash flows from investing activities		
Proceeds from collection of loans receivable	9,630,257	6,515,599
Loans receivable issued	(2,164,762)	(13,225,666)
Net cash provided (used) by investing activities	7,465,495	(6,710,067)
Cash flows from financing activities		
Proceeds from issuance of notes payable	263,064	11,241,759
Principal payments on notes payable	(7,377,881)	(4,366,151)
Net cash provided (used) by financing activities	(7,114,817)	6,875,608
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(811,662)	1,839,533
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	8,973,011	7,133,478
End of year	\$ 8,161,349	\$ 8,973,011

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 in perpetuity to provide general operating monies from the investment income. The fund also contains funds maintained at two community foundations with board designations to generate income to support the general operations.

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.

Leases

OppFund determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating lease right-of-use (ROU) assets in the statements of financial position while finance leases are recorded as finance lease ROU assets. Lease liabilities represent OppFund's contractual obligation to make lease payments over the lease term.

For operating leases, the lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or a risk-free rate if the implicit rate is not determinable. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line bases over the lease term. OppFund has elected to not recognize an ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense associated with short-term leases in the statements of activities.

**OPPORTUNITY RESOURCE FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases (continued)

OppFund has elected to utilize a risk-free rate as the discount rate when determining the present value of remaining lease payments for both operating and finance leases. Additionally, the Fund has elected to not separate non-lease components from lease components and, instead, to account for each separate lease component and the related non-lease component as a single lease component. For any related party leasing agreements, the OppFund has elected to use written terms and conditions for determining whether a lease exists and, if so, the classification and accounting for that lease.

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.

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.

**OPPORTUNITY RESOURCE FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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 March 29, 2023, which is the date the financial statements were available to be issued.

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 designated net assets without donor restriction at December 31, 2022 of \$81,800.

*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).

**OPPORTUNITY RESOURCE FUND  
NOTES TO FINANCIAL STATEMENTS**

**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.

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	2022	2021
A	3%	25%
B	24%	22%
C	28%	20%

At December 31, 2022, OppFund has outstanding commitments to loan approximately \$491,520.

**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, 2022 and 2021:

	2022	2021
Financial assets without donor restrictions		
Cash and cash equivalents		
Operating fund	\$ 776,552	\$ 1,402,361
Loan fund	5,327,062	3,838,871
Accounts, contributions and grant receivable - loan fund	189,802	138,604
Accrued interest receivable - loan fund	111,868	151,533
Current portion of loan receivable	1,105,714	1,539,415
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 7,510,998	 \$ 7,070,784

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, 2022 and 2021:

	2022	2021
Grants and contributions receivable		
Cinnaire Lending Corporation	\$ -	\$ 70,000
MEDC MI CDFI Fund FY 23	3,500,000	-
CFSEM - NEI Grant	75,000	-
Fifth Third	-	500
	\$ 3,575,000	\$ 70,500

**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, 2022 and 2021 by portfolio segment are as follows:

	<u>2022</u>	<u>2021</u>
Real estate	\$ 1,826,321	\$ 3,780,076
Economic development and small business	3,059,129	3,305,090
SBA Payroll Protection Program	458,992	6,251,649
Homeownership	<u>9,929,721</u>	<u>9,587,557</u>
	15,274,163	22,924,372
Less allowance for loan losses	<u>(658,574)</u>	<u>(561,645)</u>
	<u><u>\$ 14,615,589</u></u>	<u><u>\$ 22,362,727</u></u>

Loans receivable aging, by portfolio segment is as follows:

	<u>December 31, 2022 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	\$ 1,826,321	\$ -	\$ -	\$ -	\$ 1,826,321
Economic development and small business	2,819,333	-	-	239,796	3,059,129
SBA Payroll Protection Program	458,992	-	-	-	458,992
Homeownership	<u>8,970,237</u>	<u>340,390</u>	<u>-</u>	<u>619,094</u>	<u>9,929,721</u>
	<u><u>\$ 14,074,883</u></u>	<u><u>\$ 340,390</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 858,890</u></u>	<u><u>\$ 15,274,163</u></u>

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

	<u>January 1, 2022 Allowance for Loan Loss</u>	<u>Loan Loss Provision</u>	<u>Charge-offs</u>	<u>December 31, 2022 Allowance for Loan Loss</u>
Real estate	\$ 145,838	\$ (48,969)	\$ -	\$ 96,869
Economic development and small business	185,195	134,376	(36,929)	282,642
Homeownership	<u>230,612</u>	<u>48,451</u>	<u>-</u>	<u>279,063</u>
	<u><u>\$ 561,645</u></u>	<u><u>\$ 133,858</u></u>	<u><u>\$ (36,929)</u></u>	<u><u>\$ 658,574</u></u>

**OPPORTUNITY RESOURCE FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LOANS RECEIVABLE (continued)**

Loan receivable maturities as of December 31, 2022 consist of the following:

Year Ending December 31,	Aggregate Principal Balance
2023	\$ 1,105,714
2024	447,348
2025	687,635
2026	1,402,425
2027	1,655,881
2028 and thereafter	9,975,160
	\$ 15,274,163

**NOTE 6 - ASSET HELD AT COMMUNITY FOUNDATIONS**

The amount held at the Capital Region Community Foundation and Southeast Michigan Community Foundation totaled \$92,300 and \$117,025 at December 31, 2022 and 2021, respectively. Variance power has been granted at both foundations. During 2022 and 2021, these assets experienced a loss of \$24,275 in 2022 and a gain of \$5,131 in 2021, respectively.

The investments contributed to community foundations are not readily accessible for use in operations. The OppFund transferred these funds to the endowment fund during 2021 to better reflect the purpose of the investments.



**OPPORTUNITY RESOURCE FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - NOTES PAYABLE**

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

	2022	2021
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 2050:		
Secured - loans receivable with an aggregate book value of \$3,081,085 and \$3,394,417 for 2022 and 2021, respectively, were pledged as collateral for secured notes payable.	\$ 4,330,801	\$ 5,426,200
Unsecured	12,655,599	13,174,016
	16,986,400	18,600,216
Unsecured promissory notes and line of credit, due to banks, with interest payable between 0.35% and 3.25%, maturing through November 2029.	462,259	6,316,929
	\$ 17,448,659	\$ 24,917,145

Promissory note maturities in effect at December 31, 2022 are summarized as follows

Year Ending December 31,	
2023	\$ 2,479,828
2024	998,297
2025	1,664,384
2026	1,141,527
2027	1,087,366
2028 and thereafter	10,047,255
	\$ 17,418,657

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 as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Loan fund		
Subject to expenditure for specific purpose		
Detroit based single family mortgages	\$ -	\$ 645,858
LISC - lead remediation and other	50,000	54,000
Detroit based community lending	15,688	15,688
Fifth Third Foundation - SB/ED	-	37,500
MEDC MI CDFI Fund	3,500,000	-
CDV5 Foundation Grant	25,000	-
OFN GwG Grant	<u>50,746</u>	<u>96,282</u>
Total net assets subject to expenditure for specific purpose	<u>3,641,434</u>	<u>849,328</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>\$ 3,651,934</u>	<u>\$ 859,828</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>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Program expenses - grant revenue	\$ 732,894	\$ 1,895,622
Satisfaction of time restrictions		
Contributions	<u>-</u>	<u>-</u>
Total net assets released from restriction	<u>\$ 732,894</u>	<u>\$ 1,895,622</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, 2022:

	Loan Fund	Endowment Fund
Balance, January 1, 2022	\$ 15,688	\$ 10,500
Contributions and grants	-	-
Appropriated for unrestricted operations	-	-
Balance, December 31, 2022	\$ 15,688	\$ 10,500

**NOTE 9 - SUPPLEMENTAL CASH FLOW DISCLOSURES**

Cash paid for interest expense was approximately \$349,000 and \$304,000 for 2022 and 2021, respectively. Non cash forgiveness of debt was recorded as contribution revenue during 2022 and 2021 in the amount of \$147,796 and \$6,332, respectively.

**NOTE 10 - 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, 2022 and 2021, respectively.

**OPPORTUNITY RESOURCE FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - FAIR VALUE MEASUREMENTS (continued)**

*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.

The following are major categories of assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

Description	2022			Total Dec. 31, 2022
	Level 1	Level 2	Level 3	
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ 92,300</u>	<u>\$ -</u>	<u>\$ 92,300</u>
	2021			
Description	Level 1	Level 2	Level 3	Total Dec. 31, 2021
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ 117,025</u>	<u>\$ -</u>	<u>\$ 117,025</u>

**NOTE 11 - LEASES**

Operating leases are reflected on the statements of financial position within operating lease right of use assets and the related current and non-current operating lease liabilities. Right of use assets represent the right of use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from lease agreement. Operating lease right of use assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectation regarding the terms.

OppFund has various office leases with 1 year terms that do not meet the above criteria for recognition and are expensed on a straight-line basis over the 1 year term.

In addition, OppFund has leased office space for its headquarters which is reflected below.

Supplemental cash flow information related to leases are as follows:

Operating lease	
Weighted-average remaining lease term in years	5
Weighted-average discount rate	0.96%

**OPPORTUNITY RESOURCE FUND  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - LEASES (continued)**

Future minimum lease payments required under operation leases that have initial or remaining non-cancelable lease terms in excess of one year at December 31, 2022, are as follows:

Year Ending December 31,	Operating Leases
2023	\$ 52,600
2024	52,600
2025	52,600
2026	35,067
Total undiscounted cash flows	192,867
Less present value discount	(3,428)
Total lease liabilities	\$ 189,439

**NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2022, OppFund implemented the following new pronouncement:

Financial Accounting Standards Board (the “FASB”) Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”),

Summary:

On February 15, 2016, the FASB issued ASU 2016-02, and thereafter issued additional ASUs to clarify and update the guidance in ASU 2016-02 (collectively, the “new leases standard”). The objective of ASU 2016-02 is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. OppFund adopted the new lease standard using the effective date method of the modified retrospective transition, under which amounts in prior periods presented were not restated. For adoption, OppFund elected to not reassess (i) whether any existing contracts contain leases, (ii) initial direct costs, and (iii) classification of existing leases.

The restatement of the beginning of the year had no impact on net assets. The change in assets and liabilities are as follows:

	Assets	Liabilities
Balances as of December 31, 2021, as previously stated	\$ 31,795,394	\$ 26,044,681
Adoption of FASB ASU 2016-02	239,958	239,958
Balances as of January 1, 2022, as restated	\$ 32,035,352	\$ 26,284,639

## **SUPPLEMENTARY INFORMATION**

The accompanying notes are an integral part of this schedule.

**OPPORTUNITY RESOURCE FUND  
ADJUSTED NET WORTH COMPUTATION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

FHA servicing portfolio at 12/31/2022	(a)	\$	-
FHA originations - FHI-insured Title II loan originations during fiscal year	(b)		-
FHA purchases - FHA-insured Title II third-party originator purchases during the fiscal year	(c)		-
Total FHA loan activity [(d) = (a) + (b) + (c)]	(d)		-
FHA-insured Title II loan originations retained at the fiscal year end	(e)		-
FHA-insured Title II third-party originator purchases retained at the end of fiscal year	(f)		-
Adjustments [(g) = (e) + (f)]	(g)		-
Total adjusted FHA loan activity [(h) = (d) - (g)]	(h)		-
Net worth required	(i)	1,000,000	
If (h) < \$25 million, skip line (j) and (k) and insert (i) on line (o)	(j)		-
Total net worth [(k) = (i) + (j)]	(k)	1,000,000	
Stockholders' equity (net worth) / net assets without donor restrictions per balance sheet	(l)	4,535,534	
Less unacceptable assets	(m)		-
Adjusted net work [(n) = (l) - (m)]	(n)	4,535,534	
Minimum net worth required	(o)	1,000,000	
Adjusted net work above / (below) required minimum amount [(p) = (n) - (o)]	(p)	3,535,534	