

Opportunities, Inc.
Audited Financial Statements
June 30, 2024 and 2023

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Independent Auditor's Report

To the Board of Directors
Opportunities, Inc.
Lanham, Maryland

Opinion

We have audited the accompanying financial statements of Opportunities, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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 Opportunities, Inc., as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Opportunities, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Opportunities, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(1)

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 will 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 Opportunities, Inc.'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 Opportunities, Inc.'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.

Patrick J. Leary; Smyko, LLC

Lutherville, Maryland
November 12, 2024

Opportunities, Inc.

Statements of Financial Position

June 30,	<u>2024</u>	<u>2023</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,804,162	\$ 6,047,725
Accounts receivable, net of allowance for doubtful accounts of \$176,435 in 2024 and \$38,493 in 2023	594,391	325,536
Contributions and grants receivable	27,108	21,275
Investments	8,294,423	4,803,737
Prepaid expenses	<u>102,358</u>	<u>46,653</u>
Total current assets	<u>10,822,442</u>	<u>11,244,926</u>
Property and Equipment:		
Automobiles	245,070	245,070
Buildings and improvements	2,146,730	1,827,786
Furniture and equipment	<u>515,633</u>	<u>338,475</u>
Total	2,907,433	2,411,331
Less accumulated depreciation	<u>1,796,129</u>	<u>1,728,938</u>
	1,111,304	682,393
Land	<u>920,000</u>	<u>920,000</u>
Total property and equipment, net	<u>2,031,304</u>	<u>1,602,393</u>
Other Assets:		
Security deposits	15,731	16,781
Deferred rent receivable	11,137	7,968
Right-of-use asset, finance leases, net	1,187,344	469,758
Right-of-use asset, operating leases	<u>767,965</u>	<u>952,422</u>
Total other assets	<u>1,982,177</u>	<u>1,446,929</u>
Total Assets	<u>\$ 14,835,923</u>	<u>\$ 14,294,248</u>

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

Opportunities, Inc.

Statements of Financial Position

June 30,	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 104,602	\$ 36,639
Accrued expenses	277,427	194,697
Due to MDH	-	971,028
Refundable grant advance	28,267	28,267
Finance lease obligations - current portion	262,803	152,249
Operating lease obligations - current portion	130,637	116,366
Deferred rent	16,210	16,664
Total current liabilities	<u>819,946</u>	<u>1,515,910</u>
Long-Term Liabilities:		
Finance lease obligations - noncurrent portion	914,906	332,772
Operating lease obligations - noncurrent portion	709,172	848,786
Security deposit payable	13,250	13,250
Total long-term liabilities	<u>1,637,328</u>	<u>1,194,808</u>
Total liabilities	2,457,274	2,710,718
Net Assets - Without Donor Restrictions	<u>12,378,649</u>	<u>11,583,530</u>
Total Liabilities and Net Assets	<u>\$ 14,835,923</u>	<u>\$ 14,294,248</u>

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

Opportunities, Inc.**Statements of Activities**

For the years ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Revenue:						
Program service fees	5,600,854	\$ -	\$ 5,600,854	3,259,534	\$ -	\$ 3,259,534
Rental income	240,536	-	240,536	220,146	-	220,146
Private fees	33,629	-	33,629	-	-	-
Other income	16,453	-	16,453	34,556	-	34,556
Total revenue	<u>5,891,472</u>	<u>-</u>	<u>5,891,472</u>	<u>3,514,236</u>	<u>-</u>	<u>3,514,236</u>
Support:						
Contributions and grants	79,085	79,469	158,554	152,543	13,665	166,208
Net assets released from restrictions	79,469	(79,469)	-	13,665	(13,665)	-
Total support	<u>158,554</u>	<u>-</u>	<u>158,554</u>	<u>166,208</u>	<u>-</u>	<u>166,208</u>
Total revenue and support	<u>6,050,026</u>	<u>-</u>	<u>6,050,026</u>	<u>3,680,444</u>	<u>-</u>	<u>3,680,444</u>
Expenses:						
Program activities	4,600,842	-	4,600,842	2,946,084	-	2,946,084
Supporting services	1,404,255	-	1,404,255	676,456	-	676,456
Total expenses	<u>6,005,097</u>	<u>-</u>	<u>6,005,097</u>	<u>3,622,540</u>	<u>-</u>	<u>3,622,540</u>
Increase in net assets from operations	44,929	-	44,929	57,904	-	57,904
Other income (loss):						
Investment income, net	755,923	-	755,923	383,497	-	383,497
Loss (gain) on sale of fixed assets	(5,733)	-	(5,733)	142,994	-	142,994
Total other income	<u>750,190</u>	<u>-</u>	<u>750,190</u>	<u>526,491</u>	<u>-</u>	<u>526,491</u>
Increase in net assets	795,119	-	795,119	584,395	-	584,395
Net assets - beginning of year	<u>11,583,530</u>	<u>-</u>	<u>11,583,530</u>	<u>10,999,135</u>	<u>-</u>	<u>10,999,135</u>
Net assets - end of year	<u>\$ 12,378,649</u>	<u>\$ -</u>	<u>\$ 12,378,649</u>	<u>\$ 11,583,530</u>	<u>\$ -</u>	<u>\$ 11,583,530</u>

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

Opportunities, Inc.

Statement of Functional Expenses

For the year ended June 30, 2024 (with comparative totals for June 30, 2023)

	Program Services				Supporting Services			Total	
	Day	Employment	Community	Total	Management	Fundraising	Total	2024	2023
	Habilitation	Services	Development	Program	and General		Supporting		
		Services	Services	Services			Services		
Salaries	\$ 991,714	\$ 290,676	\$ 1,536,688	\$ 2,819,078	\$ 801,860	\$ -	\$ 801,860	\$ 3,620,938	\$ 2,162,583
Payroll taxes	84,486	11,413	130,913	226,812	80,017	-	80,017	306,829	181,510
Employee benefits	84,798	13,593	131,397	229,788	36,976	-	36,976	266,764	233,762
Total salaries and related expenses	1,160,998	315,682	1,798,998	3,275,678	918,853	-	918,853	4,194,531	2,577,855
Advertising	-	-	-	-	996	-	996	996	-
Bad debts	42,679	24,131	103,782	170,592	-	-	-	170,592	38,493
Client activities	4,748	1,055	7,356	13,159	-	-	-	13,159	8,233
Commission expense	-	-	-	-	86,515	-	86,515	86,515	-
Depreciation and amortization	113,821	2,439	176,368	292,628	15,869	-	15,869	308,497	172,103
Dues and subscriptions	-	-	-	-	84,887	-	84,887	84,887	42,979
Grant consulting	6,816	1,955	10,561	19,332	-	-	-	19,332	-
Insurance	41,622	892	64,494	107,008	5,803	-	5,803	112,811	97,529
Interest expense	18,611	-	28,838	47,449	-	-	-	47,449	19,980
Maintenance and repairs	25,104	1,843	38,899	65,846	96,589	-	96,589	162,435	68,231
Miscellaneous	-	-	-	-	3,612	-	3,612	3,612	1,785
Professional fees	-	-	-	-	51,881	18,780	70,661	70,661	128,873
Lease costs	71,968	20,648	111,517	204,133	22,681	-	22,681	226,814	128,346
Seminars and training	5,723	1,538	8,869	16,130	27,199	-	27,199	43,329	16,101
Staff recruitment	8	-	12	20	8,216	-	8,216	8,236	2,366
Supplies	726	-	1,126	1,852	25,860	-	25,860	27,712	21,243
Taxes - real estate	-	-	-	-	20,751	-	20,751	20,751	20,746
Telephone	24,917	401	38,609	63,927	4,212	-	4,212	68,139	33,050
Transportation	94,683	1,514	148,236	244,433	120	-	120	244,553	151,838
Utilities	29,824	2,617	46,214	78,655	11,431	-	11,431	90,086	92,789
Total expenses	\$ 1,642,248	\$ 374,715	\$ 2,583,879	\$ 4,600,842	\$ 1,385,475	\$ 18,780	\$ 1,404,255	\$ 6,005,097	\$ 3,622,540

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

Opportunities, Inc.

Statement of Functional Expenses

For the year ended June 30, 2023

	Program Services			Supporting Services				2023 Total
	Day Habilitation	Employment Services	Community Development Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,656,000	\$ 145,375	\$ 41,825	\$ 1,843,200	\$ 319,383	\$ -	\$ 319,383	\$ 2,162,583
Payroll taxes	140,693	11,620	3,563	155,876	25,634	-	25,634	181,510
Employee benefits	180,846	8,437	5,702	194,985	38,777	-	38,777	233,762
Total salaries and related expenses	1,977,539	165,432	51,090	2,194,061	383,794	-	383,794	2,577,855
Bad debt	34,997	2,882	614	38,493	-	-	-	38,493
Client activities	8,027	-	206	8,233	-	-	-	8,233
Depreciation and amortization	145,406	3,440	4,868	153,714	18,389	-	18,389	172,103
Dues and subscriptions	-	-	-	-	42,979	-	42,979	42,979
Insurance	88,698	761	2,658	92,117	5,412	-	5,412	97,529
Interest expense	19,980	-	-	19,980	-	-	-	19,980
Maintenance and repairs	25,234	917	1,186	27,337	40,894	-	40,894	68,231
Miscellaneous	161	-	9	170	1,615	-	1,615	1,785
Professional fees	-	-	-	-	74,155	54,718	128,873	128,873
Lease costs	128,346	-	-	128,346	-	-	-	128,346
Seminars and training	13,217	840	318	14,375	1,726	-	1,726	16,101
Staff recruitment	103	9	-	112	2,254	-	2,254	2,366
Supplies	5,417	10	229	5,656	15,587	-	15,587	21,243
Taxes - real estate	-	-	734	734	20,012	-	20,012	20,746
Telephone	27,948	351	606	28,905	4,145	-	4,145	33,050
Transportation	144,796	723	6,195	151,714	124	-	124	151,838
Utilities	75,120	3,048	3,969	82,137	10,652	-	10,652	92,789
Total expenses	\$ 2,694,989	\$ 178,413	\$ 72,682	\$ 2,946,084	\$ 621,738	\$ 54,718	\$ 676,456	\$ 3,622,540

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

Opportunities, Inc.

Statements of Cash Flows

For the years ended June 30,	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Increase in net assets	\$ 795,119	\$ 584,395
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	170,592	38,493
Change in right-of-use assets and lease obligations, operating leases, net	59,114	12,730
Depreciation and amortization	308,497	172,103
Loss (gain) on sale of fixed assets	5,733	(142,994)
Net realized loss on sale of investments	45,049	1,585
Net unrealized gain on investments	(521,132)	(70,513)
(Increase) decrease in operating assets:		
Accounts receivable	(439,447)	(249,668)
Contributions and grants receivable	(5,833)	(21,275)
Prepaid expenses	(55,705)	(11,766)
Security deposits	1,050	(9,781)
Deferred rent receivable	(3,169)	18,154
Increase (decrease) in operating liabilities:		
Accounts payable	67,963	(1,603)
Accrued expenses	82,730	29,218
Due to MDH	(971,028)	939,216
Deferred rent payable	(454)	485
Net cash (used in) provided by operating activities	<u>(460,921)</u>	<u>1,288,779</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(546,802)	(100,553)
Proceeds from sale of property and equipment	-	152,011
Proceeds from sale of investments	1,076,684	-
Purchase of investments	<u>(4,091,287)</u>	<u>(1,174,380)</u>
Net cash used in investing activities	<u>(3,561,405)</u>	<u>(1,122,922)</u>
Cash flows from financing activities:		
Repayments of finance lease obligations	<u>(221,237)</u>	<u>(112,621)</u>
Net cash used in financing activities	<u>(221,237)</u>	<u>(112,621)</u>
Net (decrease) increase in cash and cash equivalents	(4,243,563)	53,236
Cash and cash equivalents at beginning of year	<u>6,047,725</u>	<u>5,994,489</u>
Cash and cash equivalents at end of year	<u>\$ 1,804,162</u>	<u>\$ 6,047,725</u>

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

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

1. Nature of Activities

Opportunities, Inc. (the “Organization”) is a nonprofit corporation, incorporated under the laws of the State of Maryland. The Organization's purpose is to provide training for competitive employment to persons with intellectual and developmental disabilities. The Organization's primary source of revenue is received from the Maryland Department of Health, Developmental Disabilities Administration (MDH). The Organization has operations in Prince George's and Montgomery County. Prior to October 2020, the Organization's name was Rehabilitation Opportunities, Inc.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. Revenue is recorded when earned and expenses are recorded when the obligation is incurred.

Cash and Cash Equivalents

The Organization considers demand deposits, money market accounts and certificates of deposit with an original maturity of three months or less to be “cash and cash equivalents”.

Accounts Receivable, Credit Policies and Allowance for Credit Losses

Accounts receivable are uncollateralized obligations, which generally require payment within thirty to ninety days from the invoice date. Accounts receivable are stated at their invoice amount. Account balances with invoices over ninety days old are considered delinquent. Payments of accounts receivable are applied to specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoices.

The allowance for credit losses is management’s best estimate of the current expected credit losses from accounts receivable. Losses are estimated collectively for groups of receivables with similar risk characteristics. The allowance for credit losses considers relevant information about past events, current conditions, reasonable and supportable forecasts that affect the collectability of financial assets, portfolio credit quality, and general economic conditions, resulting in recognition of lifetime expected credit losses at initial recognition of the related asset. General economic conditions are forecasted using economic variables which will create volatility and those variables change over time. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for credit losses based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses and a credit to accounts receivable. The allowance for credit losses totaled \$176,435 and \$38,493 at June 30, 2024 and 2023, respectively, based on outstanding accounts receivable. Write off's charge against the allowance for credit losses totaled \$38,493 and \$-0- during the year ended June 30, 2024 and 2023, respectively. Bad debt expense related to accounts receivable totaled \$170,592 and \$38,493 for the years ended June 30, 2024 and 2023, respectively.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Contributions and Grants Receivable

Contributions and grants receivable represent fees due from nonreciprocal unconditional contributions made by year-end or conditional contributions where the conditions have been met by year-end. These amounts are considered fully collectible at June 30, 2024 and 2023 and accordingly, no allowance for credit losses is required. These amounts are expected to be collected within the next year.

Investments

Investments consist of mutual funds valued at their readily determinable fair value in the Statements of Financial Position. The change in net unrealized appreciation (depreciation) of investments for the year is reflected in the Statements of Activities in "investment income, net." Realized gains and losses on sales of investments are computed on the specific identification method basis, and recorded on the trade date of the transaction and are also included in "investment income, net." Investment expenses, such as custodial, commissions, and investment advisory fees, are netted against investment income in the Statements of Activities.

Investment Risk

The Organization's portfolio is a professionally managed portfolio that contains exchange traded funds (mutual funds). Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Fair Value Measurements

The Organization has characterized its assets and liabilities based on the priority of inputs used to measure fair value, based on a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets and liabilities fall within the three different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

- Level 1 assets or liabilities use quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2 assets or liabilities use observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities.
- Level 3 assets or liabilities use unobservable inputs that are supported by little or no market activity.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The Organization's assets and liabilities that are subject to fair value measurements are categorized in one of the three levels above (see Note 4). Fair values are based on the inputs available at the measurement dates, and may rely on certain assumptions that may affect the valuation of fair value for certain assets and liabilities.

Property and Equipment and Depreciation

Property and equipment are stated at cost. Expenditures for maintenance, repairs and renewals are charged against income as incurred. Expenditures for additions, improvements and replacements in excess of \$1,000 are added to the property and equipment accounts and depreciated over their estimated useful lives. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss on disposition is recognized in income.

Depreciation is provided under the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 40 years. Depreciation was \$308,497 and \$172,103 for the years ended June 30, 2024 and 2023, respectively.

Refundable Grant Advance

A refundable grant advance is recorded when the Organization receives assets (i.e. cash received) in advance of the satisfaction of conditions under grants that are determined to be contributions, or when the Organization receives cash in excess of the total grant award.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without donor restrictions are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Net assets without donor restrictions are currently available for use at the discretion of the Board and/or management for general operating purposes.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports contributions and grants as revenue with donor restrictions if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. The Organization has no net assets with donor restrictions at June 30, 2024 and 2023.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Program Support and Revenue

The Organization receives revenue in the form of fee for service revenue and contributions. The principal payor is the Maryland Department of Health. Final determination of allowable costs is subject to audit or review by representatives or agents of the appropriate payor. The Organization relies on the continued receipt of state funds in order to provide on-going and continued programs.

Advertising Costs

The Organization expenses advertising costs the first time the advertising takes place. The Organization incurred advertising costs totaling \$996 and \$-0- during the years ended June 30, 2024 and 2023, respectively.

Income Taxes

The Organization is a non-profit organization under Section 501 (c) (3) of the Internal Revenue Code, and as such, is exempt from federal and state income taxes. The Organization is not considered a private foundation.

The Organization accounts for income tax provisions in accordance with Financial Accounting Standards Board Accounting Standards Concept Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organization believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at June 30, 2024 and 2023 for uncertain income tax positions. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization has adopted a policy under which, if required to be recognized in the future, will classify interest related to the underpayment of income taxes as a component of interest expense, and will classify any related penalties in administrative and general expenses in the Statements of Functional Expenses and Statements of Activities. The Organization believes they are subject to income tax examinations by tax authorities for the current year and the last three years.

Functional Allocation of Expenses

The Statements of Functional Expenses present expenses by function and natural classification. The functional classification of expense includes the following:

Program activities

Program activities are direct and indirect costs related to providing the Organization's programs and services. These expenses relate directly to the purpose for which the Organization exists.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

General and Administrative

The supporting service category includes general and administrative costs necessary to ensure proper administrative function of the governing board, maintain an adequate working environment, and manage the financial responsibilities of the Organization.

Fundraising

The supporting services category also includes expenditures which provide the structure necessary to encourage and secure outside financial support for the Organization's operations.

Expenses are charged to each functional classification based on direct expenditures incurred. Indirect expenses are allocated to the various programs and supporting services based on an allocation formula. Certain costs have been allocated between program and supporting services based on the estimated usage and number of clients served in each program.

Description of Major Programs

Day Habilitation

The Organization is licensed by MDH to provide day support services to individuals with developmental disabilities referred by the Developmental Disabilities Administration (DDA). Services consist of helping individuals develop and maintain skills that support daily living, employment and socialization.

Employment Services

The Organization has a contract with MDH to provide vocational services (such as assessment activities, job training, work skill training and placement programs, training in social skills, safety skills, work related hygiene training and other work skills) to individuals who are at a higher functioning level.

Community Development Services

The Organization has a contract with MDH to provide services in order to help individuals become more integrated, independent and engaged in the community through meaningful and purposeful activities.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no change on previously reported net assets.

New Accounting Pronouncement Adopted

Measurement of Credit Losses on Financial Statements

Effective July 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (Topic 326), which requires entities to use a new impairment model based on current expected credit losses (CECL) rather than incurred losses. Estimated credit losses under CECL consider relevant information about past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets, resulting in recognition of lifetime expected credit losses at initial recognition of the related assets. Topic 326 applies to accounts receivables. The Organization adopted Topic 326 using the effective date method, which applies Topic 326 prospectively from the transition date. The adoption of Topic 326 did not have a significant impact on the Organization's financial statements.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued various additional ASUs, which amend and clarify *Topic 842*. The most significant change in the new leasing guidance is the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position for the present value of future minimum lease payments for all long-term operating leases.

The Organization elected to adopt *Topic 842* effective July 1, 2022 using the effective date method, which applies *Topic 842* prospectively from the transition date. The Organization utilized all practical expedients available under *Topic 842*, except for the practical expedient allowing the combination of lease and non-lease components. The practical expedients adopted allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. The adoption of *Topic 842* had a material impact on the Organization's Statement of Financial Position at June 30, 2023, but did not have a material impact on the Statement of Activities for the year ended June 30, 2023. The most significant impact was the recognition of ROU assets and lease liabilities for the present value of future minimum lease payments for all long-term operating leases (see Note 5) in which the Organization is the lessee. The adoption of the *Topic 842* had no material impact on beginning of year net assets.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

3. Investments

Investments consist of the following at June 30:

	<u>2024</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Fair Value</u>
Mutual funds		\$ 8,180,448	\$ 113,975	\$ 8,294,423
	<u>2023</u>			
Mutual funds		\$ 5,210,894	\$ (407,157)	\$ 4,803,737

The following schedule summarizes investment return and its classification in the Statements of Activities for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 357,906	\$ 366,040
Realized loss on sale of investments	(45,049)	(1,585)
Unrealized gain on investments	521,132	70,513
Investment expenses	<u>(78,066)</u>	<u>(51,471)</u>
Total investment income, net	<u>\$ 755,923</u>	<u>\$ 383,497</u>

An investment may be considered impaired if its cost basis exceeds its fair value, thus resulting in unrealized depreciation. Management feels any investment portfolio unrealized losses are temporary and no significant losses other than those already recorded will be recognized on these investments.

4. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis are as follows at June 30:

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
<u>2024</u>				
Mutual funds	\$ 8,294,423	\$ -	\$ -	\$ 8,294,423
<u>2023</u>				
Mutual funds	\$ 4,803,737	\$ -	\$ -	\$ 4,803,737

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

5. Leases

Lessee Accounting

The Organization has the following long-term leases at June 30, 2024:

- The Organization had an operating lease agreement for program space. The lease had a term of three years, expiring in June 2025, but could be terminated early with three months' notice by either party. The lease provided for base monthly rentals of \$7,104 in year one, with escalation provisions for each year thereafter. The lease also provided for additional monthly payments based on operating costs as defined in the lease agreement. This lease was terminated in September 2023.
- The Organization entered into an operating lease agreement in May 2023 for additional program and administrative space. The lease expires in December 2030 and provides for base monthly rentals of \$9,781 starting in January 2024, with escalation provisions for each year thereafter. The lease provides for additional monthly payments of the tenant's proportionate share of taxes and expenses as defined in the lease agreement. The lease also provides for one additional five-year renewal option.
- The Organization also began leasing additional program and administrative space under an operating lease agreement. The lease is for a three-year term, commencing in October 2023 and expiring in September 2026. The lease requires monthly payments of \$2,975 in year one, with escalation provisions at 4% for each year thereafter. The Organization is also required to pay a proportionate share of real estate taxes each year as defined in the lease agreement. The lease also provides for a provision that allows the Organization to purchase the property for \$850,000 if settlement occurs prior to September 30, 2024. The purchase price increases to \$884,000 if settlement occurs prior to September 30, 2025 and \$919,360 if settlement occurs prior to September 30, 2026. The Organization is not reasonably certain it will exercise the purchase option under the lease agreement and the purchase option is not factored into the lease classification.
- The Organization also leases automobiles under various agreements which meet the criteria of finance leases. The leases require combined monthly payments of \$28,281, including interest at the rate implicit in each lease agreement. The leases expire at various dates from October 2024 to May 2029.

As disclosed in Note 2, the Organization adopted *Topic 842, Leases* during the year ended June 30, 2023. Under *Topic 842*, the Organization is required to record a right-of-use (ROU) asset and a corresponding lease liability for the present value of future lease payments for all long-term leases. The ROU asset and related lease liability are calculated using the rate implicit in the lease, if readily available. According to the Organization's elected policy, if the rate implicit in the lease is not readily available and cannot be accurately calculated, the ROU asset and lease liability are calculated

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

5. Leases (continued)

Lessee Accounting (continued)

utilizing the risk-free discount rate at either 1) July 1, 2022 upon implementation of *Topic 842*, or the start date of the lease, whichever is later. In addition, according to the Organization's elected policy, payments made for taxes and other operating costs as defined in the lease agreement are not included in the ROU asset or lease liability calculation. Renewal options under long-term leases are not included in the ROU asset or lease liability calculation because the Organization is not reasonably certain it will exercise any renewal options under long-term leases as of June 30, 2024.

The following summarizes the line items in the Statements of Financial Position which include amounts for operating and finance leases at June 30:

	<u>2024</u>	<u>2023</u>
<u>Operating Leases</u>		
Right-of-use asset, operating lease	\$ 767,965	\$ 952,422
Operating lease obligations - current portion	\$ 130,637	\$ 116,366
Operating lease obligations- noncurrent portion	709,172	848,786
Total operating lease liabilities	<u>\$ 839,809</u>	<u>\$ 965,152</u>
<u>Finance Leases</u>		
Equipment	\$ 1,660,207	\$ 746,282
Accumulated depreciation	(472,863)	(276,524)
Right-of-use asset, finance lease, net	<u>\$ 1,187,344</u>	<u>\$ 469,758</u>
Finance lease obligations - current portion	\$ 262,803	\$ 152,249
Finance lease obligations - noncurrent portion	914,906	332,772
Total finance lease liabilities	<u>\$ 1,177,709</u>	<u>\$ 485,021</u>

The following summarizes line items in the Statements of Activities which include components of lease expense for the years ended June 30:

	<u>2024</u>	<u>2023</u>
<u>Operating lease costs (included in operating expenses):</u>		
Operating lease costs	\$ 173,803	\$ 107,762
Variable lease costs	53,011	20,584
Total lease costs	<u>\$ 226,814</u>	<u>\$ 128,346</u>

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

5. Leases (continued)

Lessee Accounting (continued)

	<u>2024</u>	<u>2023</u>
<u>Finance lease costs:</u>		
Amortization of lease assets included in depreciation expense	\$ 201,174	\$ 105,791
Interest on lease liabilities included in interest expense	47,449	19,980
Total finance lease costs	<u>\$ 248,623</u>	<u>\$ 125,771</u>

The following summarizes cash flow information related to long-term leases for the years ended June 30:

	<u>2024</u>	<u>2023</u>
<u>Other Information:</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 107,414	\$ 85,250
Operating cash flows from finance leases	\$ 47,449	\$ 19,980
Financing cash flows from finance leases	\$ 221,237	\$ 112,621
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ 100,786	\$ 1,039,965
Finance leases	\$ 913,925	\$ 370,686

The following summarizes the weighted average remaining lease terms and discount rates under long-term leases as of June 30:

	<u>2024</u>	<u>2023</u>
<u>Weighted Average Remaining Lease Term</u>		
Operating leases	6.09	6.51
Finance leases	3.75	3.19
<u>Weighted Average Discount Rate</u>		
Operating leases (risk-free rate)	3.53%	3.31%
Finance leases (rate implicit in lease at inception)	6.12%	6.62%

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

5. Leases (continued)

Lessee Accounting (continued)

The maturities of long-term lease liabilities are as follows:

Year Ended <u>June 30,</u>	Operating <u>Leases</u>	Finance <u>Leases</u>
2025	\$ 157,649	\$ 327,558
2026	162,444	320,493
2027	137,271	308,703
2028	131,127	258,354
2029	134,733	127,703
Thereafter	209,387	-
Total minimum lease payments	932,611	1,342,811
Less: amounts representing interest	(92,802)	(165,102)
Present value of future minimum lease payments	839,809	1,177,709
Less: current portion	(130,637)	(262,803)
Long-term portion	<u>\$ 709,172</u>	<u>\$ 914,906</u>

Lessor Accounting

The Organization leases a portion of its Lanham building to a tenant under an operating lease. The lease was renewed in November 2023, with an expiration date of August 2030. Under this lease agreement, the tenant is required to pay base monthly rent of \$16,210 in year one, with escalation provisions for each year thereafter. The tenant is also required to pay common area maintenance charges each month, which is considered variable lease income. The lease does not transfer ownership of any portion of the leased asset to the tenant and does not provide an option for the tenant to purchase the leased asset.

In accordance with generally accepted accounting principles, rental income is to be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rental income being recognized for financial statement purposes is recorded as a deferred rent receivable. The deferred rent receivable totaled \$11,137 and \$7,968 at June 30, 2024 and 2023, respectively.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

5. Leases (continued)

Lessor Accounting (continued)

Future minimum lease rentals due from the tenant under this lease agreement are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2025	\$ 199,388
2026	205,370
2027	211,531
2028	217,877
2029	224,413
Thereafter	<u>269,858</u>
Total rental income	<u>\$ 1,328,437</u>

Rental income included in total revenue is broken down as follows at June 30:

	<u>2024</u>	<u>2023</u>
Rent	\$ 199,962	\$ 180,842
Common area maintenance	<u>40,574</u>	<u>39,304</u>
Total rental income	<u>\$ 240,536</u>	<u>\$ 220,146</u>

Cash receipts from leases are classified with cash flows from operating activities. The cost of the buildings owned by the Organization and being leased was \$686,566 and \$682,732 at June 30, 2024 and 2023, respectively, and accumulated depreciation totaled \$461,221 and \$440,372 at June 30, 2024 and 2023, respectively.

The Organization holds a security deposit from the tenant totaling \$13,250 at June 30, 2024 and 2023, which is subject to refund at the end of the lease term.

During the year ended June 30, 2024 and 2023, the tenant paid \$16,210 and \$16,664 in advance (representing one month of advance rent), included as deferred rent under current liabilities in the accompanying Statements of Financial Position.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

6. Revenue Recognition

Revenue under ASU 2018-08 (Topic 958): Not-For-Profit Entities

Contributions and grants

The Organization recognizes nonreciprocal contributions and grants received and made at fair value on the earlier of the date of the receipt of cash or the date an unconditional promise to give is made. Contributions and grants received and made are reported as either revenues without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and reclassified as net assets released from restrictions in the same year.

Contributions and grants may also be considered conditional contributions if both requirements to meet the definition of a condition under ASU 2018-08 are met (i.e. there is a barrier that must be overcome before the Organization is entitled to receive the funds and there is a right of return to the resource provider). Revenue under conditional contributions is recognized when the conditions are satisfied. The Organization has remaining award balances under conditional contributions and grants totaling \$43,366 at June 30, 2024. These awards will be recognized as income as conditions are met.

Revenue under ASU No. 2014-09 (Topic 606): Revenue From Contracts with Customers

Contracts with Customers

The Organization identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when obligations under the terms of the contract with the customer are satisfied; generally, this occurs with the transfer of control of the good or service to the customer. Revenue is measured as the amount of consideration the Organization expects to receive in exchange for transferring goods or providing services. If applicable, sales and other taxes collected concurrently with revenue-producing activities are excluded from revenue. The Organization does not incur incremental costs to obtain contracts or costs to fulfill contracts that meet the criteria for capitalization. In addition, the Organization does not have material significant payment terms as the Organization receives weekly payments for services billed and rendered.

Performance Obligations and Transaction Price

Performance obligations are satisfied over time based on the criteria that the customer receives the benefit of the Organization's performance as the Organization performs the service. The following performance obligations are satisfied over time:

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

6. Revenue Recognition (continued)

Revenue under ASU No. 2014-09 (Topic 606): Revenue From Contracts with Customers (continued)

Performance Obligations and Transaction Price (continued)

Fee for Service (program service fees) - the Organization has a contract with the State of Maryland through the Maryland Department of Health's Developmental Disabilities Administration (DDA), to provide program services to developmentally disabled individuals to meet their physical, social, developmental and psychological needs. Performance obligations vary depending on each individual's needs. Services provided include supervision of individuals in daily living and community integration, behavior support, transportation, vocational and other services. Performance obligations for each client are specified based on a service authorization approval from DDA. The transaction price is the amount to which the Organization expects to be entitled for providing the promised services to each individual. The Organization provides services to multiple clients in a variety of programs. Services are billed to DDA under the LTSS billing platform on a monthly or weekly basis based on approved billing rates for each service/client and the units of service provided for each client. Services under the LTSS billing platform are paid on a weekly basis in arrears.

The Organization also provides vocational, day and other supported employment services to clients for additional funding under contracts with Prince George's and Montgomery Counties. Amounts are billed to each County on a monthly basis based on contract terms. Services are paid by the County on a monthly basis in arrears.

Rental Income – the Organization leases a portion of its Lanham building to an unrelated third party. The performance obligation of providing the space is satisfied over a period of time, as the tenant receives the benefit continuously. The transaction price is determined based on the lease agreement. The Organization is paid monthly. Revenue is recognized on the straight-line basis over the life of the lease (see Note 5).

Contract Balances and Payment Terms

The Organization bills for services performed in the month following the month of service. The Organization recognizes either a contract asset (amounts received are less than amounts billed) or a contract liability (amounts received are in excess of amounts billed) related to fee for service revenue. These amounts are recorded by program.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

6. Revenue Recognition (continued)

Revenue under ASU No. 2014-09 (Topic 606): Revenue From Contracts with Customers (continued)

Contract Balances and Payment Terms (continued)

The Organization has recorded the following contract assets and contract liabilities on the Statements of Financial Position at June 30:

	<u>2024</u>	<u>2023</u>
<u>Contract Assets</u>		
Accounts receivable, net	\$ 594,391	\$ 325,536
Deferred rent receivable (Note 5)	<u>11,137</u>	<u>7,968</u>
Total contract assets	<u>\$ 605,528</u>	<u>\$ 333,504</u>
<u>Contract Liabilities</u>		
Due to MDH	\$ -	\$ 971,028
Refundable advance from MDH	28,267	28,267
Deferred rent (Note 5)	<u>16,210</u>	<u>16,664</u>
Total contract liabilities	<u>\$ 44,477</u>	<u>\$ 1,015,959</u>

Disaggregation of Revenue

The following table disaggregates contract revenue by performance obligations at June 30:

	<u>2024</u>	<u>2023</u>
Day program	\$ 1,974,613	\$ 2,660,130
Employment services	566,525	522,881
Community development service	<u>3,059,716</u>	<u>76,523</u>
Total program service fees	5,600,854	3,259,534
Private fees	33,629	-
Rental income	<u>240,536</u>	<u>220,146</u>
Total contract revenue	<u>\$ 5,875,019</u>	<u>\$ 3,479,680</u>

The Organization believes disaggregating revenue into these categories achieves the disclosure objective to show how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

7. Retirement Plans

The Organization sponsors a 403(b) plan for all eligible employees. The plan allows employees to defer a percentage of their wages up to the maximum amount allowed by the Internal Revenue Code. The plan requires the Organization to match 100% of employee deferrals up to 6% of the employee's annual salary and also allows for a discretionary contribution by the Organization. The Organization's contribution to the Plan, net of forfeitures, was \$66,579 and \$56,619 for the years ended June 30, 2024 and 2023, respectively. Contributions are included in employee benefits in the Statements of Functional Expenses.

The Organization also sponsors a 457(b) plan which covers certain employees. Contributions by the Organization to this plan are discretionary. There were no contributions to this plan for the years ended June 30, 2024 and 2023, respectively.

8. Concentrations

Credit Risk

The Organization maintains deposits in banking institutions which, from time to time throughout the year, may be in excess of federally insured limits. The Organization believes that the associated risk has been mitigated by maintaining cash balances in high quality financial institutions. Additionally, the Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents. The Organization was holding funds in excess of federally insured limits totaling \$1,478,468 and \$5,739,430 at June 30, 2024 and 2023, respectively.

Revenue

The Organization is the provider of services under various contracts from the MDH. For the years ended June 30, 2024 and 2023, respectively, funding from MDH represented 89% and 87% of the Organization's total revenue. The amount due from MDH, net totaled \$480,500 and \$295,700 at June 30, 2024 and 2023, respectively and is included in "accounts receivable, net" in the accompanying Statements of Financial Position. The amount due to MDH totaled \$28,267 and \$999,295 at June 30, 2024 and 2023, respectively and represents refundable advances from MDH and over payments not yet reconciled by MDH under the PCIS billing platform.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

9. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,804,162	\$ 6,047,725
Accounts receivable, net	594,391	325,536
Contributions and grants receivable	27,108	21,275
Investments	<u>8,294,423</u>	<u>4,803,737</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 10,720,084</u>	<u>\$ 11,198,273</u>

Liquidity Management

The Organization regularly monitors liquidity required to meet its operating needs and contractual commitments, while striving to maximize the investment of its available funds. The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

10. Commitments

Accumulated Vacation

Employees of the Organization earn a vested right to compensation for unused vacation based on years of service and may carry over up to a maximum of twenty days of annual leave from one year to the next. Accordingly, the Organization has made an accrual for vacation compensation that employees have earned but not taken. Accrued vacation totaled \$121,971 and \$96,957 at June 30, 2024 and 2023, respectively and is included in the balance of "accrued expenses" on the Statements of Financial Position.

Grant Commitment

The Organization received capital grant funds from the State of Maryland in 1993, totaling \$770,000, which were used to acquire its building in Lanham. If the property is sold or transferred without prior approval from the Board of Public Works, or the property is no longer used for the purposes stated in the grant, the Board of Public Works, in its sole discretion, may require the Organization to repay the State of Maryland the percentage of the proceeds allocable to the grant that was used to acquire the property. The terms of the grant agreement expired in 2023.

Opportunities, Inc.

Notes to Financial Statements

For the years ended June 30, 2024 and 2023

11. Supplemental Disclosure of Cash Flow Information

The Organization purchased automobiles through finance lease agreements totaling \$913,925 and \$370,686 during the years ended June 30, 2024 and 2023, respectively. Cash paid for interest totaled \$47,449 and \$19,980 for the years ended June 30, 2024 and 2023, respectively.

12. Subsequent Events

The Organization has evaluated subsequent events for disclosure through November 12, 2024, the date the financial statements were available to be issued.

There were no subsequent events requiring disclosure.