OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Financial Statements and Supplementary Schedules

December 31, 2019
(With summarized comparative information as of December 31, 2018)

(With Independent Auditors' Report Thereon)

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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KPMG LLP
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200 E. Randolph Street
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Independent Auditors' Report

The Board of Directors
Opportunity International, Inc.:

We have audited the accompanying consolidated financial statements of Opportunity International, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Opportunity International Savings and Loans Limited, a majority-owned subsidiary, which statements reflect total assets constituting 19 percent of consolidated total assets as of December 31, 2019, and total revenues constituting 19 percent of consolidated total revenues, inclusive of revenues attributed to discontinued operations, for the year then ended. Those statements, which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, were audited by other auditors in accordance with International Standards on Auditing, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Opportunity International Savings and Loans Limited, which conform those financial statements to U.S. generally accepted accounting principles. Our opinion, insofar as it relates to the amounts included for Opportunity International Savings and Loans Limited, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Opportunity International, Inc. and Affiliates as of December 31, 2019, and the results of their operations and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Opportunity International, Inc. and Affiliates' 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information presented in the Charitable activities, Banking activities, and Eliminations columns on pages 3 and 4, the Yield to Program, Fundraising, and General and administrative columns on page 6, the Consolidating Schedules of Statements of Financial Position – Banking Operations, and the Consolidating Schedules of Statements of Activities – Banking Operations is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
August 5, 2020

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Financial Position

December 31, 2019
(With summarized comparative information as of December 31, 2018)

	2019				
Assets	**Charitable activities**	**Banking activities**	**Eliminations**	**Total**	**2018**
Cash and cash equivalents	$ 10,043,366	—	—	10,043,366	9,972,303
Restricted cash and investments	711,765	—	—	711,765	653,955
Pledges receivable, net	6,254,668	—	—	6,254,668	5,446,219
Investments, at fair value	701,501	—	—	701,501	621,055
Notes receivable, net	—	—	—	—	1,264,557
Other receivables, net	663,432	—	(9,206)	654,226	111,357
Donor-advised assets	307,868	—	—	307,868	375,668
Prepaid expenses and other assets	776,851	—	—	776,851	1,025,227
Investment in financial institutions	9,099,254	—	—	9,099,254	8,709,397
Building, furniture, and equipment, net	1,101,973		—	1,101,973	1,317,207
Assets of disposal group classified as held for sale	—	217,756,331	(368,188)	217,388,143	242,741,088
Total assets	$ 29,660,678	217,756,331	(377,394)	247,039,615	272,238,033
Liabilities and Net Assets					
Accounts payable and accrued liabilities	$ 4,133,284	—	(368,188)	3,765,096	4,844,435
Notes payable	12,545,408	—	—	12,545,408	14,733,225
Deferred revenue	1,022,702	—	—	1,022,702	262,545
Liabilities of disposal group classified as held for sale	—	182,495,526	(9,206)	182,486,320	205,811,715
Total liabilities	17,701,394	182,495,526	(377,394)	199,819,526	225,651,920
Noncontrolling interest	—	2,348,531	—	2,348,531	2,172,309
Net assets:					
Without donor restrictions	(789,408)	32,912,274	—	32,122,866	31,404,461
With donor restrictions	12,748,692	—	—	12,748,692	13,009,343
Total net assets	11,959,284	32,912,274	—	44,871,558	44,413,804
Total liabilities and net assets	$ 29,660,678	217,756,331	(377,394)	247,039,615	272,238,033

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2019
(With summarized comparative information for the year ended December 31, 2018)

	2019						
	Without donor restrictions						
	Charitable activities	Banking activities	Eliminations	Total	With donor restrictions	Total	2018
Operating activities:							
Charitable support, gains, and losses:							
Private contributions	$ 10,872,755	—	—	10,872,755	9,991,052	20,863,807	17,542,948
Government grants	—	—	—	—	253,903	253,903	8,017,625
Other income	3,078,211	—	(1,338,965)	1,739,246	—	1,739,246	2,981,848
Net assets released from restrictions	10,505,606	—	—	10,505,606	(10,505,606)	—	—
Total charitable support, gains, and losses	24,456,572	—	(1,338,965)	23,117,607	(260,651)	22,856,956	28,542,421
Expenses:							
Charitable expenses:							
Yield to program:							
Implementing partner operating expenses	2,330,164	—	—	2,330,164	—	2,330,164	2,885,424
Field program expenses	16,773,688	—	—	16,773,688	—	16,773,688	18,674,095
Total yield to program	19,103,852	—	—	19,103,852	—	19,103,852	21,559,519
Supporting services:							
Fundraising	3,561,431	—	—	3,561,431	—	3,561,431	3,719,175
General and administrative	1,512,149	—	—	1,512,149	—	1,512,149	2,254,629
Total supporting services	5,073,580	—	—	5,073,580	—	5,073,580	5,973,804
Total charitable expenses	24,177,432	—	—	24,177,432	—	24,177,432	27,533,323
Increase (decrease) in net assets from charitable operating activities	279,140	—	(1,338,965)	(1,059,825)	(260,651)	(1,320,476)	1,009,098
Discontinued operations:							
Gain (loss) from operations of discontinued activities (including loss on disposal of $1,967,493 and $0 in 2019 and 2018, respectively)	(302,254)	189,010	1,338,965	1,225,721	—	1,225,721	2,529,821
Nonoperating activities:							
Gain (loss) on investments (including $0 and $2,779,095 impairment in 2019 and 2018, respectively)	584,732	—	—	584,732	—	584,732	(1,299,361)
Foreign currency translation loss for continuing operations	(80,140)	—	—	(80,140)	—	(80,140)	(94,963)
Noncontrolling interest in net loss of consolidated subsidiaries	—	47,917	—	47,917	—	47,917	510,227
Increase (decrease) in net assets from nonoperating activities	504,592	47,917	—	552,509	—	552,509	(884,097)
Investment in banking activities	2,707,846	(2,707,846)	—	—	—	—	—
Increase (decrease) in net assets	3,189,324	(2,470,919)	—	718,405	(260,651)	457,754	2,654,822
Net assets:							
Beginning of year	(3,978,732)	35,383,193	—	31,404,461	13,009,343	44,413,804	41,758,982
End of year	$ (789,408)	32,912,274	—	32,122,866	12,748,692	44,871,558	44,413,804

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended December 31, 2019
(With summarized comparative information for the year ended December 31, 2018)

		2019	2018
Cash flows from operating activities:			
Increase (decrease) in net assets	$	(767,967)	125,001
Discontinued operations		1,225,721	2,529,821
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation		203,818	234,989
Foreign currency translation loss		80,140	94,963
Net realized and unrealized gain on investments		(138,255)	(234,655)
Equity in gain of investment in financial institutions		(390,633)	(299,743)
Impairment of investment in financial institutions		—	2,039,041
Changes in assets and liabilities:			
Pledges and other receivables		(1,351,318)	3,638,310
Prepaid expenses and other assets		316,176	(242,794)
Accounts payable and accrued liabilities		(1,079,340)	(238,471)
Deobligation of USAID grant funds		—	(8,000,000)
Deferred revenue		760,157	262,545
Noncontrolling interest		176,222	(327,578)
Net cash used in operating activities of continuing operations		(965,279)	(418,571)
Net cash provided by operating activities of discontinued operations		1,742,107	11,822
Net cash provided by (used in) operating activities		776,828	(406,749)
Cash flows from investing activities:			
Sale (purchase) of investments in financial institutions		776	(1,636,175)
Sale of restricted cash and investments		—	398,891
Sale of furniture and equipment, net of depreciation		11,416	134,724
Collections of notes receivable, net		1,264,557	1,674,668
Net cash provided by investing activities of continuing operations		1,276,749	572,108
Net cash provided by (used in) investing activities of discontinued operations		25,372,411	(7,669,637)
Net cash provided by (used in) investing activities		26,649,160	(7,097,529)
Cash flows from financing activities:			
Proceeds from notes payable		500,000	—
Principal payments of notes payable		(2,687,817)	(5,615,766)
Net cash used in financing activities of continuing operations		(2,187,817)	(5,615,766)
Net cash (used by) provided by financing activities of discontinued operations		(25,086,968)	12,611,767
Net cash (used in) provided by financing activities		(27,274,785)	6,996,001
Effect of exchange rate changes on cash		(80,140)	(94,963)
Net increase (decrease) in cash and cash equivalents		71,063	(603,240)
Cash and cash equivalents at beginning of year		9,972,303	10,575,543
Cash and cash equivalents at end of year	$	10,043,366	9,972,303

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended December 31, 2019
(With summarized comparative information for the year ended December 31, 2018)

	2019				
	Charitable activities				
	Yield to Program	Fundraising	General and administrative	Total	2018 Total
Implementing partner operating expenses	$ 2,330,164	—	—	2,330,164	2,885,424
Support for Opportunity International Network and Opportunity Inc.	4,918,669	—	—	4,918,669	7,367,407
Salaries and benefits	5,359,685	2,679,375	787,819	8,826,879	8,225,619
Rent and utilities	162,601	183,078	99,435	445,114	669,541
Travel and hosting	764,404	355,508	77,819	1,197,731	1,116,543
Professional fees	2,978,215	192,582	306,041	3,476,838	3,387,919
Miscellaneous expense	720,542	25,201	(40,994)	704,749	464,179
Interest expense	670,300	—	15,598	685,898	1,025,106
Telephone	26,538	21,645	68,919	117,102	111,802
Depreciation expense	176,776	—	27,042	203,818	234,989
Board meetings and conferences	24,369	7,327	15,680	47,376	62,896
Supplies, printing, and office equipment	656,535	56,416	106,206	819,157	1,574,900
Income tax expense	(7,226)	—	(7,696)	(14,922)	7,700
Postage and shipping	2,215	10,394	5,352	17,961	31,107
Training	60,657	18,884	20,299	99,840	97,032
Promotional materials	133,572	9,853	578	144,003	115,949
Donor-advised grant expense	67,800	—	—	67,800	40,000
Insurance	58,036	1,168	30,051	89,255	115,210
Total expenses	$ 19,103,852	3,561,431	1,512,149	24,177,432	27,533,323

See accompanying notes to consolidated financial statements.

(1) Organization

Opportunity International, Inc., d/b/a/ Opportunity International – U.S. (Opportunity), is a tax-exempt, publicly supported faith-based corporation. By providing financial solutions, support and training, we empower people living in poverty to build sustainable incomes, educate their children and escape generational poverty, in the process transforming their lives, their children's futures, and their communities. Opportunity's programs are financed through charitable donations, earned income from its banking operations, and from leveraging local funds provided by partner banks and other financial institutions.

Opportunity implements its programs through a worldwide network of staff, branches, subsidiary banks and local nongovernmental organizations, as well as local Implementing Partners—commercial and nonprofit and microfinance institutions. Opportunity maintains a minority equity interest in a number of key Implementing Partners to ensure a long-term alignment of interest in serving the poor. Additionally, such investments enable Opportunity to leverage local investor funds and debt to increase services and maximize the funds deployed to serve the economic needs of the poor. Opportunity uses its charitable donations to invest equity and to fund its direct operations, especially in its Education Finance, Agricultural Finance, Digital Financial Services and Monitoring & Evaluation programs.

Accounts of only the majority owned subsidiaries—banks and nongovernmental organizations—of Opportunity are included in the consolidated financial statements. These are listed below. Accounts of Implementing Partners, given that these are aligned but independent entities, are not included in these consolidated financial statements.

Similarly, entities within the Opportunity Support Member network, including Opportunity International Australia, Opportunity International United Kingdom, Opportunity International Germany and Opportunity International Canada raise funds in their respective countries and operate independently of Opportunity. Their accounts are not included in these consolidated financial statements.

Opportunity Network was established in 1998 to coordinate a common strategy among all members, to develop an accreditation process for participating members, and to manage standardization and quality throughout the Network member organizations. The Network is not consolidated in these accompanying consolidated financial statements as the Network is not a legal subsidiary of Opportunity.

Opportunity, Inc., a nonprofit entity incorporated January 23, 2014, was established (i) to provide relief to the poor and to help end extreme poverty in the world by providing finance services to microfinance clients; (ii) to provide support and management services to Network affiliates; and (iii) to develop investment and global branding strategies for Network members. Opportunity, Inc. is not consolidated in the accompanying financial statements as it is not a legal subsidiary of Opportunity. In November 2018, Opportunity, the other support members, and Opportunity, Inc. signed a memorandum describing our commitment to a shared vision and mission and collaborative relationships. Opportunity, Inc. oversees the implementation of education programs and digital financial services.

Opportunity provides a majority of the funding for the Network and Opportunity, Inc.'s operations, along with providing accounting and management services. Total costs incurred by Opportunity, included in field program expenses on the consolidated statements of activities, related to the Network and Opportunity, Inc. are $4,918,669 and $7,367,407 for the years ended December 31, 2019 and 2018, respectively.

(Continued)

Effective June 19, 2000, Opportunity incorporated Opportunity Transformation Investments (OTI), which is intended to invest in and hold ownership positions in microfinance institutions. OTI's board of directors is controlled by Opportunity. Accordingly, OTI and its controlled banks are consolidated in Opportunity's financial statements. If a controlling interest is acquired in more than one transaction at different dates, cost is determined separately for the percentage of ownership interest in net assets acquired at the date of each transaction. All intercompany transactions have been eliminated in consolidation.

The controlling interests in microfinance organizations included in discontinued operations as of December 31, 2019 and 2018 are as follows (note 7):

(i) Opportunity Banka a.d. Novi Sad (Opportunity Bank Serbia) – As of December 31, 2019 and 2018, OTI owned 100% of the outstanding shares of Opportunity Bank Serbia. On December 17, 2019, OTI signed an agreement to sell 78% of its shares of Opportunity Bank Serbia.

(ii) Opportunity International Colombia S.A. Compania de Financiamiento (Opportunity Colombia) – On December 4, 2019, Opportunity and OTI sold their shares of Opportunity Colombia to a Colombian bank with a shared mission to extend loans to small entrepreneurs.

(iii) Opportunity International Savings & Loans Limited in Ghana (Opportunity Bank Ghana) – During 2019, another shareholder converted outstanding debt to shares in Opportunity Bank Ghana reducing OTI's ownership percentage to 60.6% from 76% of the outstanding shares of Opportunity Bank Ghana as of December 31, 2019 and 2018, respectively. On October 9, 2019, the shareholders signed an agreement to sell 80% of the shares of Opportunity Bank Ghana.

On January 23, 2014, OTI incorporated Opportunity International Nicaragua, Inc. (OINIC) to (i) provide assistance in the operation and maintenance of agricultural processing plants in Nicaragua that can assist in local community development, improve agricultural methods, and provide assistance to poor farmers; (ii) assistance to local artisans in production, management, and marketing of their products based on principles of fair trade practices; (iii) support and develop community-led projects and promote leadership development among youth and adults in selected communities in Nicaragua; (iv) operation of technical schools to impart education and technical skills to needy children, youth, and/or adults in selected parts of Nicaragua; and (v) help to build local self-sufficiency for poor people with locally run, sustainable institutions. The assets and liabilities of OINIC are included in charitable assets and liabilities on the consolidated statement of financial position, and the revenue and expenses of OINIC are included in charitable activities on the consolidated statement of activities.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

Opportunity's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and are presented on the accrual basis of accounting.

Charitable Activities – This category reports Opportunity's fundraising activities performed in the United States of America.

In order to ensure the observance of limitations and restrictions placed on the use of available resources, Opportunity maintains its accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources are classified into funds established according to their nature and purpose. For external reporting purposes, however, Opportunity’s consolidated financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions.

Net assets and related activities are classified as without donor restrictions or with donor restrictions as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions, which include capital and accumulated earnings or deficits at each subsidiary bank, consist of the following as of December 31, 2019 and 2018:

	2019	2018
Net assets without donor restrictions of continuing operations:		
Opportunity International – United States	$ (789,408)	(3,978,732)
Subtotal – continuing operations	(789,408)	(3,978,732)
Net assets without donor restrictions of disposal group classified as held for sale:		
Opportunity Bank Serbia	29,293,133	29,287,670
Opportunity Colombia	—	2,130,733
Opportunity Bank Ghana	3,619,141	3,964,790
Subtotal – disposal group	32,912,274	35,383,193
Total	$ 32,122,866	31,404,461

The net assets of the banks, net of noncontrolling interest, are without donor restrictions as they are not subject to donor restrictions; however, banking regulators in each jurisdiction have minimum capital requirements, which could limit access to these net assets.

With donor restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by actions of Opportunity or by the passage of time. Net assets with donor restrictions are available for the following purposes or periods as of December 31, 2019 and 2018:

		2019	2018
Pledges receivable, net due after December 31	$	6,254,668	5,446,219
Programs in Latin America		744,304	727,743
Programs in Asia		206,911	392,851
Programs in Africa		889,530	547,893
Education Finance programs		383,358	1,853,337
Other programs		4,269,921	4,041,300
Total	$	12,748,692	13,009,343

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

		2019	2018
Programs in Africa	$	1,944,290	1,721,974
Programs in Latin America		1,783,613	1,245,773
Programs in Asia		385,970	654,566
Education Finance programs		3,280,429	3,431,898
Other programs		3,111,304	7,320,342
Total	$	10,505,606	14,374,553

Banking Activities – This category reports the consolidated results of the commercial banks in which OTI has investments of greater than 50% or a controlling interest. Assets and liabilities of foreign investments are translated at year-end exchange rates, with the related translation adjustments reported as a change in net assets without donor restrictions. Income statement accounts are translated at the average exchange rate during the period. Minority investors own portions of the microfinance institutions that OTI has controlling interest in: Opportunity Bank Ghana and Opportunity Colombia. The outside investors' shares are shown in Opportunity's consolidated financial statements as noncontrolling interest.

(b) Revenue and Expense

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

Private gifts, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful pledges receivable is provided based upon management's judgment considering such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions received with donor-imposed restrictions are reported as revenue of the net asset without restrictions class if those restrictions are met within the same year as received. Donor-restricted contributions received and whose restrictions were met within the same year were $4,706,012 and $5,066,808 in 2019 and 2018, respectively.

Revenue from government grant agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from government grant agreements to operate and maintain loan portfolios over an extended period of time under specific conditions is recognized on a straight-line basis over the grant period until the conditions are fulfilled. Amounts received in advance of expenditure are recorded as deferred revenue until recognized over the grant period.

The consolidated results of the banks presented in the accompanying consolidated financial statements recognize fee and commission income for the services provided by each bank. Fee and commission income are recognized when the related service is performed. Loan fees are offset by the costs of originating such loans.

Opportunity records in-kind support for contributed equipment and contributed professional services. Contributed equipment and services are recorded at fair value. Opportunity recorded $1,464,935 and $600,748 as contribution revenue in the accompanying consolidated statement of activities, and the corresponding amount was included as supplies and services or as grants to the Network and member organizations in the accompanying consolidated statement of financial position for 2019 and 2018, respectively.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid, short-term investments with original maturities of 90 days or less.

(e) Cash and Investments with Donor Restrictions

Cash and investments with donor restrictions at December 31, 2019 and 2018 consist of investments to support the annuity obligation (note 2(j)).

(f) Investments

Investments in securities are reported at fair value based on quoted market prices for publicly traded securities and estimates provided by investment managers for nonmarketable investments in certain closely held companies. Donated investments are recorded at fair value at the date of the gift and, based on Opportunity's investment policy, are generally liquidated within 30 days.

(g) Investment in Financial Institutions

Investments in financial institutions in which OTI holds less than 50% or does not have control are recorded using the equity method of accounting. Accordingly, the initial investment is increased or decreased by Opportunity's proportionate share of income or loss.

OTI reviews investments in financial institutions for impairment whenever events or changes in circumstances indicate the carrying amount of the investment may not be recoverable. OTI recognized impairment losses on its investments in financial institutions of $0 and $2,039,041 in the years ended December 31, 2019 and 2018, respectively. The amounts have been included in the loss on investments in nonoperating activities on the consolidated statement of activities.

(h) Allowance for Loan Losses on Assets of Disposal Group Classified as Held for Sale

Allowances have been established for loan losses that are probable as of the balance sheet date. While the allowance calculation varies by country, each OTI member assesses exposure to its loan portfolio on both an individual and group level. Individually significant loans are evaluated for specific impairment based on management's best estimate of the timing and amount of future cash flows that will be collected. Groups of loans with similar credit risk characteristics that are not individually significant are collectively evaluated for impairment on the basis of historical loss experience adjusted for current economic conditions, the value of the underlying collateral, and management's judgment.

Management believes that these allowances represent the best estimate of the credit losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in economic or political conditions or significant changes in the borrower's financial position. OTI monitors credit risk exposure by product and by customer and regularly reviews the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

A loan is considered impaired when it is probable that all principal and interest amounts due will not be collected in accordance with the loan's contractual terms. Impairment is recognized by allocating a portion of the allowance for loan losses to such a loan to the extent that the recorded investment of an impaired loan exceeds its value. A loan's value is based on the loan's underlying collateral or the calculated present value of projected cash flows discounted at the contractual interest rate. Allocations on impaired loans are considered in relation to the overall adequacy of the allowance for loan losses, and adjustments are made to the provision for loan losses as deemed necessary.

The recorded investment in impaired loans is periodically adjusted to reflect cash payments, revised estimates of future cash flows, and increases in the present value of expected future cash flows due to the passage of time. Cash payments representing interest income are reported as such. Other cash

(Continued)

payments are reported as reductions in recorded investment. Increases or decreases due to changes in estimates of future payments and the passage of time are considered in relation to the overall adequacy of the allowance for loan losses.

(i) Building, Furniture, and Equipment

Building, furniture, and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives of 3-7 years. Accumulated depreciation on leasehold improvements, furniture, and equipment of charitable activities was $1,042,382 and $1,010,133 at December 31, 2019 and 2018, respectively.

(j) Charitable Gift Annuities

Opportunity has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Opportunity agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at their fair value, and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of expected future payments based on the Internal Revenue Service (IRS) mortality tables and the prevailing interest rate. A discount rate of 2% and 3.6% was utilized as of December 31, 2019 and 2018, respectively. The difference is classified as contributions without donor restrictions on the consolidated statement of activities and changes in net assets. Opportunity maintains charitable gift annuities in a separate portfolio, and the assets are invested in accordance with applicable state laws.

(k) Allocation of Expenses

Opportunity considers Network Services Organization expenses as a component of its yield to program expense. The amounts relate to amounts paid to support the Network members and the Opportunity program objectives. Certain costs are paid by Opportunity on behalf of the Network as part of Opportunity's annual support and are included in program grant expense.

(l) Income Taxes

Opportunity and OTI have received determination letters from the IRS indicating that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, Opportunity and OTI are generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for federal or state income taxes has been made as Opportunity and OTI are not engaged in any unrelated business income activities. Opportunity and OTI believe they have taken no significant uncertain tax positions as of December 31, 2019 or 2018.

The microfinance institutions included in the accompanying consolidated financial statements pay taxes in accordance with their respective country's laws at rates ranging from 15% to 33% of taxable income and current tax expense is recorded for these amounts. Income tax expense is included in gain (loss) from discontinued activities on the consolidated statement of activities. Income taxes for the overseas for-profit microfinance institutions are accounted for under the asset-and-liability method. Deferred taxes and liabilities are recognized for the future consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Opportunity's consolidated financial statements for the year ended December 31, 2018, from which the summary information was derived.

(n) Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* as amended. The core principle is to recognize revenue upon the transfer of goods or services to customers at an amount that reflects the consideration expected to be received. Opportunity adopted the standard in fiscal year 2019. The adoption of this standard did not materially change the timing or amount of revenue recognized by Opportunity in 2019.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. ASU No. 2016-18 requires entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. Opportunity's adoption of the standard on January 1, 2019 did not have a material effect on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance, and assist in determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Opportunity's adoption of the standard on January 1, 2019 did not have a material effect on its consolidated financial statements and related disclosures.

(o) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance establishes the principles that lessees and lessors shall apply to report useful information to users of the financial statements about the amount, timing, and uncertainty of cash flows arising from a lease for more transparency and comparability among organizations. The core principle of the new guidance is that a lessee should recognize the assets and liabilities that arise from leases. Additional guidance was issued in July 2018 under ASU No. 2018-10, *Codification Improvements for Topic 842, Leases (Topic 842)*. ASU No. 2019-10 deferred the effective date of ASU No. 2016-02 for Opportunity to the fiscal year beginning after December 15, 2020, with early adoption permitted. Opportunity is currently evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13*, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement,* which modifies the disclosure requirements on fair value measurements. The amendments in this update are effective for Opportunity for fiscal years beginning after December 15, 2019, with early adoption permitted. Opportunity is currently evaluating the effect that ASU No. 2018-13 will have on its consolidated financial statements and related disclosures.

(p) Reclassifications

As a result of classification of Opportunity Bank Serbia as a discontinued operation, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the 2019 presentation.

(q) Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through August 5, 2020, the date the consolidated financial statements were issued (note 15).

(3) Liquidity and Availability

Opportunity has various practices in place to ensure sufficient resources are available to fund the general obligations, including general expenditures, liabilities, and other obligations as they become due. In general, Opportunity uses the cash and other financial assets collected during the year to fund expenses for the same year.

Cash and other financial assets (excluding discontinued operations) available within one year at December 31, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 10,043,366	9,972,303
Pledges receivable, net	6,254,668	5,446,219
Investments, at fair value	701,501	621,055
Notes receivable, net	—	1,264,557
Other receivables, net	654,226	111,357
Donor-advised assets	307,868	375,668
Total financial assets	17,961,629	17,791,159
Less commitments beyond one year:		
Pledges receivable, net	(1,918,500)	(1,983,300)
Total available within one year	$ 16,043,129	15,807,859

(4) Fair Value of Financial Instruments

Opportunity follows ASC Topic 820, *Fair Value Measurement*, as amended, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3).

Opportunity's notes receivable, other receivables, and notes payable in the accompanying consolidated financial statements are generated by the charitable activities of Opportunity. The terms of these notes and loans are not commensurate with current market terms in a commercial environment, as they are executed for the purpose of furthering Opportunity's mission. Fair value cannot be determined for these notes and loans due to their charitable nature and they are carried at book value in Opportunity's consolidated financial statements.

Unconditional pledges are recognized initially at fair value as contribution revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

Opportunity's other financial instruments, including cash and cash equivalents, accrued interest and expenses, and deferred revenue, are carried at historical cost, which approximates their fair values because of the short-term nature of these instruments. At December 31, 2019 and 2018, Opportunity's cash and investments and investment securities are accounted for at fair value using the fair value hierarchy of ASC Topic 820 as follows:

	December 31, 2019		
	Level 1	Level 2	Level 3
Money market funds – unrestricted cash equivalents	$ 392,112	—	—
Money market funds – restricted cash equivalents	711,765	—	—
Short-term investments	—	—	456,873
Common stock	3,609	—	—
Total	$ 1,107,486	—	456,873

	December 31, 2018		
	Level 1	Level 2	Level 3
Money market funds – unrestricted cash equivalents	$ 100,434	—	—
Money market funds – restricted cash equivalents	653,955	—	—
Short-term investments	244,753	—	354,269
Common stock	22,033	—	—
Total	$ 1,021,175	—	354,269

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or change in circumstance that caused the transfer. During 2019 or 2018, there were no transfers between levels of the fair value hierarchy.

The following table presents a summary of changes in the fair value of Opportunity's Level 3 assets for the year ended December 31, 2019:

Beginning balance, January 1, 2019	$ 354,269
Gain on investments	108,831
Distributions	(23,340)
New investments	17,113
Ending balance, December 31, 2019	$ 456,873

(5) Investments and Investment in Other Institutions

Investments consist of the following as of December 31, 2019 and 2018:

		2019	2018
Short-term investments	$	697,892	599,022
Common stock		3,609	22,033
Total investments at fair value	$	701,501	621,055

Investment income, net of eliminations, from charitable activities for the years ended December 31, 2019 and 2018 consists of the following:

		2019	2018
Dividends	$	8,365	7,039
Realized gain on investments		87,815	484,328
Unrealized gain (loss) on investments		97,919	(51,431)
Equity gain (loss) from other institutions		390,633	(1,739,297)
Gain (loss) on investments, net	$	584,732	(1,299,361)

OTI holds varying noncontrolling interests in financial institutions as follows:

		2019	2018
MFX Solutions, LLC. (1.2%)	$	250,235	246,016
Growing Opportunity Finance (India) Pvt. Ltd (0.8%)		40,709	31,594
SEAF Serbia Impact Fund B.V. (60%)		1,448,785	1,266,694
Opportunity International China Ltd. (32.8%)		231,863	231,863
Dia Vikas Capital Pvt. Ltd-India (10.5%)		3,259,050	2,447,198
VisionFund DRC (20%)		402,602	402,602
Opportunity Bank Uganda Limited (36.7%)		3,466,010	3,215,414
Redeemable noncontrolling interest in Opportunity Colombia		—	868,016
Total investment in financial institutions	$	9,099,254	8,709,397

Under the terms of an Opportunity Colombia shareholder agreement dated December 2, 2010 between OTI and four other noncontrolling shareholders, one of the noncontrolling shareholders has the right to require OTI to purchase (the Put Option) its interest, approximately 10.2%, of the outstanding capital stock of Opportunity Colombia. The shareholder agreement was terminated when the shares were sold on December 4, 2019.

Equity gain (loss) from the investment in other institutions, including impairment loss of $0 and $2,039,041 in 2019 and 2018, respectively, consists of the following:

		2019	2018
MFX Solutions, LLC.	$	4,219	13,283
SEAF Serbia Impact Fund B.V.		187,524	(82,393)
Opportunity International China Ltd.		—	(2,214,218)
Growing Opportunity Finance (India) Pvt. Ltd.		9,115	7,590
Dia Vikas Capital Pvt. Ltd – India		(60,821)	244,406
VisionFund DRC		—	(25,175)
Opportunity Bank Uganda Limited		250,596	317,210
Total equity gain (loss) from other institutions	$	390,633	(1,739,297)

(6) Notes Receivable

Notes receivable as of December 31, 2019 and 2018 are as follows:

		2019	2018
Association de Oportunidad y Desarrollo Economico de Nicaragua (ASODENIC), interest rate 0%	$	10,000	10,000
COOP ASPIRE, interest rate 0%		100,000	176,666
Dia Vikas Capital Pvt. Ltd (Dia Vikas), interest rate 12%		—	894,803
Opportunity Kauswagan Remit Inc. (OK Remit), interest rate 0%		—	200,000
Opportunity Uganda, interest rate 2%		—	48,000
COOP ASPIRE, interest rate 4%		200,000	286,363
Opportunity Microcredit Romania, interest rate 7%		—	122,602
Taytay Sa Kauswagan Inc. (TSKI) interest rate 0%		—	11,446
Taytay Sa Kauswagan Inc. (TSKI) interest rate 9%		—	69,491
Subtotal notes receivable		310,000	1,819,371
Less allowance for uncollectible amounts		(310,000)	(554,814)
Total net notes receivable	$	—	1,264,557

During 2019, OTI converted the Dia Vikas note to equity. The OK Remit note was written off and portions of the COOP ASPIRE and TSKI notes were converted to grants. Due to the high degree of uncertainty surrounding collectibility, the full value of the notes have been reserved.

(7) Discontinued Operations

Opportunity considers a component to be classified as discontinued operations when it meets the criteria established under ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Disposals that represent a strategic shift that should have or will have a major effect on Opportunity's operations and financial results qualify as discontinued operations. The results of discontinued operations are reported in discontinued operations in the consolidated statement of activities for current and prior periods commencing in the period in which the business meets the criteria of a discontinued operation, and include any gain or loss recognized on closing or adjustment of the carrying amount to fair value less cost to sell.

Because banking activities are a major part of OTI's operations and financial results, OTI has determined that the decision to divest of majority ownership positions in banks represents a strategic shift. Accordingly, the assets and liabilities of the banking activities located in Colombia, Ghana and Serbia have been segregated and reported as held for sale in the consolidated statement of financial position as of December 31, 2019, with comparative presentation for 2018. Furthermore, all banking activities have been reported as discontinued operations in the consolidated statement of activities for all periods presented.

On December 4, 2019, the shareholders of Opportunity Bank Colombia sold 100% of the shares of Opportunity Bank Colombia to an unrelated third party.

On October 9, 2019, the shareholders signed an agreement to sell 80% of the shares of Opportunity Bank Ghana to unrelated third parties. On December 17, 2019, OTI signed an agreement to sell 78% of its shares of Opportunity Bank Serbia to unrelated third parties. A net combined loss of $1,967,493 on the disposal of assets held for sale was recorded in 2019.

The following tables present a reconciliation of the carrying amounts of major classes of assets and liabilities of the discontinued operations to total assets and liabilities of the disposal group classified as held for sale in the consolidated statement of financial position as of December 31, 2019 and 2018:

		2019	2018
Carrying amounts of major classes of assets, net of eliminations, included as part of discontinued operations:			
Cash and cash equivalents	$	44,690,316	48,056,868
Loans receivable, net of allowance		156,555,036	181,927,447
Prepaid expenses and other assets		8,529,054	10,827,029
Building, furniture, and equipment, net of accumulated depreciation		11,557,883	6,473,467
Loss on assets of disposal group classified as held for sale		(3,944,146)	(4,543,723)
Total assets of the disposal group classified as held for sale in the consolidated statement of financial position	$	217,388,143	242,741,088

	2019	2018
Carrying amounts of major classes of liabilities, net of eliminations, included as part of discontinued operations:		
Accounts payable and accrued liabilities	$ 11,102,924	8,978,782
Deposits from customers	129,258,508	141,436,211
Notes payable	38,222,807	51,083,798
Deferred revenue	3,902,081	4,312,924
Total liabilities of the disposal group classified as held for sale in the consolidated statements of financial position	$ 182,486,320	205,811,715

The following table represents a reconciliation of the major classes of line items, net of eliminations, constituting the results of discontinued operations for the years ended December 31, 2019 and 2018:

	2019	2018
Major classes of line items constituting the loss of discontinued operations, net of eliminations:		
Revenue:		
Loan interest income	$ 47,093,984	50,772,558
Other fees and income	4,438,847	5,111,756
Total revenue	51,532,831	55,884,314
Expenses:		
Interest	10,337,582	11,283,583
Provision for loan losses	2,157,889	2,718,536
Management and general, including income tax expense	33,283,388	36,813,403
Total operating expenses	45,778,859	50,815,522
Nonoperating activities:		
Net loss on assets of disposal group classified as held for sale	(1,967,493)	—
Net unrealized loss on foreign currency translation	(2,258,504)	(2,538,971)
Gain from discontinued banking activities	1,527,975	2,529,821
Net loss attributable to noncontrolling interests	47,917	510,227
Net gain attributable to OTI	$ 1,575,892	3,040,048

(8) Notes Payable

Charitable notes payable as of December 31, 2019 and 2018 include the following:

	2019	2018
Charitable notes payable:		
Note payable, 0% interest, maturity November 2019	$ —	125,000
Note payable, 2% interest, maturity April 2019	—	100,000
Note payable, 2% interest, maturity July 2019	—	250,000
Note payable, 2% interest, maturity August 2019	—	125,000
Note payable, 2% interest, maturity October 2024	100,000	600,000
Note payable, 2% interest, maturity April 2020	100,000	100,000
Note payable, 2% interest, maturity May 2020	250,000	250,000
Note payable, 3% interest, maturity November 2020	500,000	500,000
Note payable, 2% interest, maturity January 2021	250,000	250,000
Note payable, 2% interest, maturity April 2021	100,000	100,000
Note payable, 2% interest, maturity May 2021	1,000,000	1,000,000
Note payable, 2% interest, maturity August 2021	1,000,000	1,000,000
Note payable, 2% interest, maturity January 2019–2020	—	1,380,000
Note payable, 2% interest, maturity January 2021	50,000	50,000
Note payable, 3% interest, maturity October 2023	100,000	100,000
Notes payable, 7% interest, maturity December 2021	7,962,437	8,458,423
Note payable, 0% interest, maturity December 2019	—	211,831
Note payable, 6% interest, maturity September 2020	500,000	—
Note payable, 6% interest, maturity October 2020	500,000	—
Note payable, 0% interest, November 2020	132,971	132,971
Total charitable notes payable	$ 12,545,408	14,733,225

Impact Investment Fund notes of $3,850,000 and $4,425,000 outstanding as of December 31, 2019 and 2018, respectively, are included in charitable notes payable. Maturities range from one to five years. Annual interest is 2% to 6%.

Included in charitable notes payable are 10 notes OTI issued on December 17, 2014 totaling €11,100,000. € 4,000,000 was repaid in 2018. The outstanding balance was € 7,100,000 ($7,962,437 and $8,458,423, respectively) as of December 31, 2019 and 2018, respectively, with an annual interest rate of 7%. The notes mature on December 17, 2021. The notes are nonrecourse but are secured by OTI's shares in Opportunity Bank Serbia. OTI used the proceeds of the notes to invest in Opportunity Bank Serbia through equity and debt instruments.

(Continued)

Aggregate maturities of notes payable as of December 31, 2019 are as follows:

2020	$ 1,982,971
2021	10,362,437
2022	—
2023	100,000
2024	100,000
Total notes payable	$ 12,545,408

(9) Noncontrolling Interest

Below is the activity of the noncontrolling interest for the years ended December 31, 2019 and 2018:

	December 31, 2019			
	Beginning balance	Interest in gain (loss) of consolidated subsidiaries	Increase (decrease) in share capital	Ending balance
Noncontrolling interest of disposal group classified as held for sale:				
Opportunity Colombia	$ 925,757	38,359	(964,116)	—
Opportunity Bank Ghana	1,246,552	(86,276)	1,188,255	2,348,531
Total – disposal group	$ 2,172,309	(47,917)	224,139	2,348,531

	December 31, 2018			
	Beginning balance	Interest in net loss of consolidated subsidiaries	Increase in share capital	Ending balance
Noncontrolling interest of disposal group classified as held for sale:				
Opportunity Colombia	$ 867,139	(124,031)	182,649	925,757
Opportunity Bank Ghana	1,632,748	(386,196)	—	1,246,552
Total – disposal group	$ 2,499,887	(510,227)	182,649	2,172,309

(10) USAID Agreements

Opportunity entered into funding agreements with the United States Aid for International Development (USAID) over various periods for microenterprise development purposes in overseas countries as follows:

Program	Total grant	Funds received through December 31, 2018	Completion date
Serbia 2003	$ 9,966,025	9,966,025	September 2018

Opportunity successfully accomplished all milestones of the Serbia 2003 grant by September 27, 2018. On November 20, 2018, USAID issued a closeout – completion statement stating that all required actions were fully and satisfactorily accomplished and $8,000,000 was deobligated. Accordingly, Opportunity recognized $8,000,000 of government revenue and reversed the related accrued liability.

(11) Commitments and Contingencies

(a) Lease Obligations

Opportunity leases office space in Illinois, Pennsylvania and Malawi under operating leases. The Pennsylvania and Malawi offices are rented on a month-to-month basis. Effective December 17, 2018, Opportunity sublet 40% of the Chicago office space to an unrelated party for the balance of the lease term. Net rent expense for the years ended December 31, 2019 and 2018 was $445,114 and $523,334, respectively. Future minimum net operating lease payments as of December 31, 2019 are as follows:

2020	$ 464,781
2021	506,999
2022	129,723
Total	$ 1,101,503

The banks lease office space and equipment in the various countries in which they are located under operating leases. Lease liabilities of $3,443,669 are included in the liabilities of assets of disposal group classified as held for sale as of December 31, 2019.

(b) Reserve and Regulatory Capital Requirements

OTI's foreign for-profit microfinance companies have certain regulatory capital requirements that they must maintain.

Opportunity Bank Serbia is required to maintain a minimum capital adequacy ratio of 8% as set by the National Bank of Serbia based on the principles of Basel III. Pursuant to the Law on Banks and Other Financial Institutions, savings banks registered in Serbia are required to maintain total qualifying capital at a minimum amount of €10 million in dinar countervalue ($11,214,730 and $11,443,800 as of

December 31, 2019 and 2018, respectively). As of December 31, 2019, and 2018, Opportunity Bank Serbia met these regulatory requirements.

The Bank of Ghana requires Opportunity Bank Ghana to maintain a prescribed ratio of total capital to total risk-weighted assets. A minimum capital adequacy ratio of 10% must be maintained. As of December 31, 2019, and 2018, Opportunity Bank Ghana met these regulatory requirements.

(12) Employee Benefit Plan

Domestic and expatriate employees of Opportunity who have completed three months of service are eligible to participate in a defined-contribution benefit plan (403(b) plan) sponsored by Opportunity. Participants are eligible to make individual contributions up to a limit determined by age and salary level. Non-U.S. employees are covered by local retirement plans. Benefit expense representing Opportunity's matching and discretionary contributions to the plans amounted to $420,122 and $422,236 for the years ended December 31, 2019 and 2018, respectively, and is included in salaries and benefits on the consolidated statement of functional expenses.

(13) Related-Party Transactions

Included in program services in the consolidated statement of activities are grant expenses of $7,248,833 and $10,252,831 in 2019 and 2018, respectively, which relate to disbursements made by Opportunity to its affiliated member organizations.

Pledges for future donations of $1,031,250 and $19,250 were due from board members of Opportunity as of December 31, 2019 and 2018, respectively.

(14) Risk and Uncertainties

The commercial microfinance banks in which OTI holds an interest are exposed to a number of risks. The following outlines some of these risks:

(a) Credit Risk

Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to the bank as they fall due. This is an inherent risk associated with the microfinance industry. OTI's financial institutions manage exposure to credit risk on a regular basis by closely monitoring credit limits, loan portfolios, and concentration of exposure. Credit policies cover collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

(b) Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The risk is managed by each OTI financial institution by controlling the size of the difference in value between foreign assets and foreign liabilities. The exposure to exchange rate risk is continually monitored to ensure compliance with regulatory and bank policy limits.

(c) Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. OTI financial institutions manage interest rate risk by monitoring market conditions and applying pricing based on the cost analysis of each product.

(d) Liquidity Risk

Liquidity risk is the risk that the banks will encounter difficulty in raising funds to meet the commitment associated with financial instruments. Each country has minimum capital requirements that the microfinance institutions must meet. Additionally, each institution monitors liquidity on a daily basis to meet its internal liquidity requirements. Total cash on hand of the combined banks is approximately $44.7 million and $48.1 million as of December 31, 2019 and 2018, respectively, which is approximately 20.3% and 19.8% of total assets of the combined banks held for sale in 2019 and 2018, respectively.

(15) Subsequent Events

(a) Notes Payable

On March 25, 2020, principal of $350,000 due in April and May 2020 was deferred by the noteholder to April 30, 2021.

On May 11, 2020, Opportunity received a $994,200 Paycheck Protection Program loan under the CARES Act. The proceeds of the loan will be used for payroll and eligible expenses per the loan agreement and is expected to be forgiven in 2020.

(b) Reserve and Regulatory Capital Requirements

As of May 31, 2020, OTI’s foreign for-profit microfinance companies in Ghana and Serbia met the regulatory requirements in their respective countries.

(c) Effects of COVID-19 Pandemic

The spread of COVID-19 is worldwide, dislocating the capital markets and affecting every industry. As of August 5, 2020, Opportunity has effectively responded to the pandemic by maintaining business continuity. Opportunity further believes that it is well-positioned to weather current market volatilities and business disruptions related to the pandemic. However, there is considerable uncertainty around both the severity and the duration of the COVID-19 outbreak, and for that reason the future financial and other impacts of the pandemic cannot reasonably be estimated at this time.

Supplementary Schedule 1

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidating Schedules of Statements of Financial Position – Banking Operations

Years ended December 31, 2019 and 2018

December 31, 2019	Discontinued operations				
	Opportunity Bank Serbia	Opportunity Colombia	Opportunity Bank Ghana	Eliminations	2019 Banks consolidated
Banking assets:					
Cash and cash equivalents	$ 33,427,602	—	11,262,714	—	44,690,316
Loans receivable, net of allowance	132,472,141	—	24,082,895	—	156,555,036
Prepaid expenses and other assets	3,133,212	—	5,764,030	(368,188)	8,529,054
Building, furniture, and equipment, net of accumulated depreciation	5,523,437	—	6,034,446	—	11,557,883
Loss on assets of disposal group classified as held for sale	(3,944,146)	—	—	—	(3,944,146)
Total banking assets	$ 170,612,246	—	47,144,085	(368,188)	217,388,143
Banking liabilities:					
Accounts payable and accrued liabilities	$ 6,409,835	—	4,702,295	(9,206)	11,102,924
Deposits from customers	96,155,933	—	33,102,575	—	129,258,508
Notes payable	35,711,106	—	2,511,701	—	38,222,807
Deferred revenue	3,042,239	—	859,842	—	3,902,081
Total banking liabilities	141,319,113	—	41,176,413	(9,206)	182,486,320
Unrestricted net assets – banking	29,293,133	—	5,967,672	(358,982)	34,901,823
Total liabilities and net assets	$ 170,612,246	—	47,144,085	(368,188)	217,388,143

December 31, 2018	Discontinued operations				
	Opportunity Bank Serbia	Opportunity Colombia	Opportunity Bank Ghana	Eliminations	2018 Banks consolidated
Banking assets:					
Cash and cash equivalents	$ 27,750,940	4,825,862	15,480,066	—	48,056,868
Loans receivable, net of allowance	122,064,249	35,323,961	24,539,237	—	181,927,447
Prepaid expenses and other assets	3,204,905	1,651,857	6,722,351	(752,084)	10,827,029
Building, furniture, and equipment, net of accumulated depreciation	3,975,191	197,326	2,300,950	—	6,473,467
Loss on assets of disposal group classified as held for sale	—	(3,493,814)	(1,049,909)	—	(4,543,723)
Total banking assets	$ 156,995,285	38,505,192	47,992,695	(752,084)	242,741,088
Banking liabilities:					
Accounts payable and accrued liabilities	$ 4,682,004	819,551	3,554,908	(77,681)	8,978,782
Deposits from customers	82,713,383	25,454,587	33,268,241	—	141,436,211
Notes payable	37,345,054	9,174,564	4,612,454	(48,274)	51,083,798
Deferred revenue	2,967,174	—	1,345,750	—	4,312,924
Total banking liabilities	127,707,615	35,448,702	42,781,353	(125,955)	205,811,715
Unrestricted net assets – banking	29,287,670	3,056,490	5,211,342	(626,129)	36,929,373
Total liabilities and net assets	$ 156,995,285	38,505,192	47,992,695	(752,084)	242,741,088

See accompanying independent auditors' report.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidating Schedules of Statements of Activities – Banking Operations

Years ended December 31, 2019 and 2018

December 31, 2019		Opportunity Bank Serbia	Opportunity Colombia (Discontinued operations)	Opportunity Bank Ghana (Discontinued operations)	Eliminations	2019 Banks consolidated
Operating activities:						
Revenue:						
Loan interest income	$	26,074,196	7,174,077	13,845,711	—	47,093,984
Other fees and income		676,809	1,005,661	2,756,377	—	4,438,847
Total revenue		26,751,005	8,179,738	16,602,088	—	51,532,831
Expenses:						
Interest on notes payable		2,128,218	526,182	815,156	(3,000)	3,466,556
Interest on client deposits		2,867,969	1,938,667	2,064,390	—	6,871,026
Provisions on loan losses		495,922	1,196,910	465,057	—	2,157,889
Management and general		16,137,051	4,457,771	13,877,810	(1,335,965)	33,136,667
Total operating expenses before taxes		21,629,160	8,119,530	17,222,413	(1,338,965)	45,632,138
Income tax expense (benefit)		763,429	32,916	(649,624)	—	146,721
Increase in operating net assets		4,358,416	27,292	29,299	1,338,965	5,753,972
Nonoperating activities:						
Gain (loss) on assets of disposal group classified as held for sale		(3,944,146)	926,744	1,049,909	—	(1,967,493)
Unrealized loss on foreign currency translation		(408,807)	(551,261)	(1,298,436)	—	(2,258,504)
Net loss attributable to noncontrolling interests		—	—	—	47,917	47,917
Total nonoperating activities		(4,352,953)	375,483	(248,527)	47,917	(4,178,080)
Increase (decrease) in net assets	$	5,463	402,775	(219,228)	1,386,882	1,575,892

December 31, 2018		Opportunity Bank Serbia	Opportunity Colombia (Discontinued operations)	Opportunity Bank Ghana (Discontinued operations)	Eliminations	2018 Banks consolidated
Operating activities:						
Revenue:						
Loan interest income	$	25,902,197	9,168,019	15,702,342	—	50,772,558
Other fees and income		686,904	1,441,927	2,982,925	—	5,111,756
Total revenue		26,589,101	10,609,946	18,685,267	—	55,884,314
Expenses:						
Interest on notes payable		3,267,478	1,039,485	570,534	(516,877)	4,360,620
Interest on client deposits		2,256,667	2,379,720	2,286,576	—	6,922,963
Provisions on loan losses		1,317,183	1,590,876	(189,523)	—	2,718,536
Management and general		14,966,787	5,338,223	17,413,202	(1,547,702)	36,170,510
Total operating expenses before taxes		21,808,115	10,348,304	20,080,789	(2,064,579)	50,172,629
Income tax expense (benefit)		840,561	90,295	(287,963)	—	642,893
Increase (decrease) in operating net assets		3,940,425	171,347	(1,107,559)	2,064,579	5,068,792
Nonoperating activities:						
Gain (loss) on assets of disposal group classified as held for sale		—	—	—	—	—
Unrealized loss on foreign currency translation		(1,415,936)	(616,062)	(506,973)	—	(2,538,971)
Net loss attributable to noncontrolling interests		—	—	—	510,227	510,227
Total nonoperating activities		(1,415,936)	(616,062)	(506,973)	510,227	(2,028,744)
Increase (decrease) in net assets	$	2,524,489	(444,715)	(1,614,532)	2,574,806	3,040,048

See accompanying independent auditors' report.