



OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Financial Statements and Supplementary Schedules

For the period from January 1 to September 30, 2020
(With summarized comparative information for the year ended
December 31, 2019)

(With Independent Auditors' Report Thereon)

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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KPMG LLP
Aon Center
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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 September 30, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the period from January 1, 2020 to September 30, 2020, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Opportunity International, Inc. and Affiliates as of September 30, 2020, and the results of their operations and their cash flows for the period from January 1, 2020 to September 30, 2020, in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited Opportunity International, Inc. and Affiliates' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited 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
June 18, 2021

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Financial Position

September 30, 2020

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

Assets	2020				2019
	Charitable activities	Banking activities	Eliminations	Total	
Cash and cash equivalents	\$ 17,050,636	—	—	17,050,636	10,043,366
Restricted cash and investments	819,336	—	—	819,336	711,765
Pledges receivable, net	4,815,951	—	—	4,815,951	6,254,668
Investments, at fair value	680,167	—	—	680,167	701,501
Notes receivable, net	351,715	—	—	351,715	—
Other receivables, net	1,111,145	—	—	1,111,145	654,226
Donor-advised assets	267,868	—	—	267,868	307,868
Prepaid expenses and other assets	1,148,415	—	—	1,148,415	776,851
Investment in other institutions	8,012,280	—	—	8,012,280	9,099,254
Building, furniture, and equipment, net	1,061,502	—	—	1,061,502	1,101,973
Assets of disposal group classified as held for sale	—	268,328,165	(383,028)	267,945,137	217,388,143
Total assets	\$ 35,319,015	268,328,165	(383,028)	303,264,152	247,039,615
Liabilities and Net Assets					
Accounts payable and accrued liabilities	\$ 5,562,468	—	(383,028)	5,179,440	3,765,096
Notes payable	13,099,266	—	—	13,099,266	12,545,408
Deferred revenue	1,911,053	—	—	1,911,053	1,022,702
Liabilities of disposal group classified as held for sale	—	229,531,428	—	229,531,428	182,486,320
Total liabilities	20,572,787	229,531,428	(383,028)	249,721,187	199,819,526
Noncontrolling interest	—	2,414,331	—	2,414,331	2,348,531
Net assets:					
Without donor restrictions	(3,926,107)	36,382,406	—	32,456,299	32,122,866
With donor restrictions	18,672,335	—	—	18,672,335	12,748,692
Total net assets	14,746,228	36,382,406	—	51,128,634	44,871,558
Total liabilities and net assets	\$ 35,319,015	268,328,165	(383,028)	303,264,152	247,039,615

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Activities

For the period from January 1 to September 30, 2020

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

	2020						2019
	Without donor restrictions			Total	With donor restrictions	Total	
	Charitable activities	Banking activities	Eliminations				
Operating activities:							
Charitable support, gains, and losses:							
Private contributions	\$ 6,463,933	—	—	6,463,933	13,610,286	20,074,219	20,863,807
Government grants	—	—	—	—	195,536	195,536	253,903
Other income	1,433,620	—	(87,595)	1,346,025	—	1,346,025	1,784,246
Net assets released from restrictions	7,882,179	—	—	7,882,179	(7,882,179)	—	—
Total charitable support, gains, and losses	15,779,732	—	(87,595)	15,692,137	5,923,643	21,615,780	22,901,956
Expenses:							
Charitable expenses:							
Yield to program:							
Implementing partner operating expenses	2,917,342	—	—	2,917,342	—	2,917,342	2,330,164
Field program expenses	11,958,012	—	—	11,958,012	—	11,958,012	16,818,688
Total yield to program	14,875,354	—	—	14,875,354	—	14,875,354	19,148,852
Supporting services:							
Fundraising	2,610,833	—	—	2,610,833	—	2,610,833	3,561,431
General and administrative	1,312,969	—	—	1,312,969	—	1,312,969	1,512,149
Total supporting services	3,923,802	—	—	3,923,802	—	3,923,802	5,073,580
Total charitable expenses	18,799,156	—	—	18,799,156	—	18,799,156	24,222,432
Increase (decrease) in net assets from charitable operating activities	(3,019,424)	—	(87,595)	(3,107,019)	5,923,643	2,816,624	(1,320,476)
Discontinued operations:							
Gain from operations of discontinued activities (including loss on disposal of \$0 and \$1,967,493 in 2020 and 2019, respectively)	—	3,468,810	87,595	3,556,405	—	3,556,405	1,225,721
Nonoperating activities:							
Gain (loss) on investments (including \$55,810 and \$0 impairment in 2020 and 2019, respectively)	(50,153)	—	—	(50,153)	—	(50,153)	584,732
Foreign currency translation loss for continuing operations	—	—	—	—	—	—	(80,140)
Noncontrolling interest in net (gain) loss of consolidated subsidiaries	—	(65,800)	—	(65,800)	—	(65,800)	47,917
Increase (decrease) in net assets from nonoperating activities	(50,153)	(65,800)	—	(115,953)	—	(115,953)	552,509
Investment in banking activities	(67,122)	67,122	—	—	—	—	—
Increase (decrease) in net assets	(3,136,699)	3,470,132	—	333,433	5,923,643	6,257,076	457,754
Net assets:							
Beginning of year	(789,408)	32,912,274	—	32,122,866	12,748,692	44,871,558	44,413,804
End of year	\$ (3,926,107)	36,382,406	—	32,456,299	18,672,335	51,128,634	44,871,558

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

For the period from January 1 to September 30, 2020

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,700,671	(767,967)
Discontinued operations	3,556,405	1,225,721
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	147,425	203,818
Foreign currency translation loss	—	80,140
Contributed securities	(1,501,163)	(1,697,146)
Proceeds on sale of contributed securities	1,502,103	1,707,514
Gain on sale of contributed securities	(940)	(10,368)
Net realized and unrealized gain on investments	(5,671)	(138,255)
Equity in loss (gain) of investment in financial institutions	271,065	(390,633)
Impairment of investment in financial institutions	55,810	—
Changes in assets and liabilities:		
Pledges and other receivables	981,798	(1,351,318)
Prepaid expenses and other assets	(371,564)	248,376
Accounts payable and accrued liabilities	1,414,344	(1,079,340)
Deferred revenue	888,351	760,157
Noncontrolling interest	65,800	176,222
Net cash provided by (used in) operating activities of continuing operations	<u>9,704,434</u>	<u>(1,033,079)</u>
Net cash (used in) provided by operating activities of discontinued operations	<u>(32,022,548)</u>	<u>1,742,107</u>
Net cash (used in) provided by operating activities	<u>(22,318,114)</u>	<u>709,028</u>
Cash flows from investing activities:		
Net sale of investments in other institutions	760,099	776
Proceeds of sale of subsidiary held in escrow	(31,369)	527,667
Sale (purchase) of furniture and equipment, net of depreciation	(106,954)	11,416
Collections (issuance) of notes receivable, net	<u>(351,715)</u>	<u>1,264,557</u>
Net cash provided by investing activities of continuing operations	270,061	1,804,416
Net cash (used in) provided by investing activities of discontinued operations	<u>(17,338,731)</u>	<u>25,372,411</u>
Net cash (used in) provided by investing activities	<u>(17,068,670)</u>	<u>27,176,827</u>
Cash flows from financing activities:		
Proceeds from notes payable	753,858	500,000
Principal payments of notes payable	<u>(200,000)</u>	<u>(2,687,817)</u>
Net cash provided by (used in) financing activities of continuing operations	553,858	(2,187,817)
Net cash provided by (used in) financing activities of discontinued operations	<u>45,849,394</u>	<u>(25,086,968)</u>
Net cash provided by (used in) financing activities	46,403,252	(27,274,785)
Effect of exchange rate changes on cash	<u>—</u>	<u>(80,140)</u>
Net increase in cash, cash equivalents, and restricted cash	7,016,468	530,930
Cash, cash equivalents, and restricted cash – beginning of year	<u>10,878,901</u>	<u>10,347,971</u>
Cash, cash equivalents, and restricted cash – end of year*	\$ <u><u>17,895,369</u></u>	\$ <u><u>10,878,901</u></u>

*End of year balance includes cash and cash equivalents included in the following categories of the Statement of Financial Position

Cash and cash equivalents	\$ 17,050,636	10,043,366
Restricted cash and investments- cash advanced on conditional grant	80,567	—
Donor-advised assets	267,868	307,868
Other receivables, net- cash from sale of shares held in escrow	496,298	527,667
Total cash and cash equivalents at end of year	\$ <u><u>17,895,369</u></u>	\$ <u><u>10,878,901</u></u>

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

For the period from January 1 to September 30, 2020

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

	2020				2019 total
	Charitable activities			Total	
	Yield to program	Fundraising	General and administrative		
Implementing partner operating expenses	\$ 2,917,342	—	—	2,917,342	2,330,164
Support for Opportunity Inc. programs	2,621,928	—	—	2,621,928	4,918,669
Salaries and benefits	4,378,975	2,179,072	754,571	7,312,618	8,826,879
Rent and utilities	140,891	122,837	16,483	280,211	445,114
Travel and hosting	137,286	72,144	24,711	234,141	1,197,731
Professional fees	1,859,815	164,670	199,060	2,223,545	3,476,838
Miscellaneous expense	1,486,581	16,299	75,291	1,578,171	704,749
Interest expense	504,820	—	27,006	531,826	685,898
Telephone	22,944	17,725	43,792	84,461	117,102
Depreciation expense	134,019	—	13,406	147,425	203,818
Board meetings and conferences	1,140	1,178	3,750	6,068	47,376
Supplies, printing, and office equipment	348,038	30,171	96,361	474,570	819,157
Income tax expense	1,494	—	—	1,494	(14,922)
Postage and shipping	1,517	2,256	3,099	6,872	17,961
Training	59,539	3,048	23,888	86,475	99,840
Promotional materials	171,918	1,433	245	173,596	144,003
Donor-advised grant expense	50,000	—	—	50,000	67,800
Insurance	37,107	—	31,306	68,413	89,255
Total expenses	\$ 14,875,354	2,610,833	1,312,969	18,799,156	24,177,432

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

For the period from January 1 to September 30, 2020
(with summarized comparative information for the year ended December 31, 2019)

(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.

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 partners; and (iii) to develop investment and global branding strategies for Opportunity partners. Opportunity, Inc. support members include Opportunity International U.S., Opportunity International Australia, Opportunity International United Kingdom, Opportunity International Germany and Opportunity International Canada. Support members raise funds in their respective countries and operate independently, are not legal subsidiaries of Opportunity and therefore not consolidated in the accompanying financial statements.

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 these programs 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 education, digital financial services and Opportunity, Inc. are \$2,621,928 and \$4,918,669 for the period from January 1 to September 30, 2020 and for the year ended December 31, 2019, respectively.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

For the period from January 1 to September 30, 2020
(with summarized comparative information for the year ended December 31, 2019)

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 September 30, 2020 and December 31, 2019 are as follows (note 7):

- (i) Opportunity Banka a.d. Novi Sad (Opportunity Bank Serbia) – As of September 30, 2020 and December 31, 2019, OTI owned 100% of the outstanding shares of Opportunity Bank Serbia. On November 19, 2020, OTI sold 78% of its shares of Opportunity Bank Serbia. In February 2021 OTI sold 2% of its shares to senior management of Opportunity Serbia reducing OTI's ownership to 20%.
- (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) – OTI owned 60.6% of the shares of Opportunity Bank Ghana as of September 30, 2020 and December 31, 2019. On November 10, 2020, the shareholders signed an agreement to sell 25% of the shares of Opportunity Bank Ghana. OTI expects to retain majority ownership of Opportunity Bank Ghana after the completion of the transaction.

On January 23, 2014, OTI incorporated Opportunity International Nicaragua, Inc. (Opportunity Nicaragua) 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 Opportunity Nicaragua are included in charitable assets and liabilities on the consolidated statement of financial position, and the revenue and expenses of Opportunity Nicaragua are included in charitable activities on the consolidated statement of activities.

During 2017 and 2018 Opportunity incorporated entities in Ghana, Malawi, Rwanda, and Uganda. The nonprofits are controlled and funded by Opportunity to implement program work in the local communities. The assets and liabilities of the entities are included in charitable assets and liabilities on the consolidated statement of financial position, and the revenue and expenses are included in charitable activities on the consolidated statement of activities.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

For the period from January 1 to September 30, 2020
(with summarized comparative information for the year ended December 31, 2019)

(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 September 30, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions of continuing operations:		
Opportunity International – United States	\$ <u>(3,926,107)</u>	<u>(789,408)</u>
Subtotal – continuing operations	<u>(3,926,107)</u>	<u>(789,408)</u>
Net assets without donor restrictions of disposal group classified as held for sale:		
Opportunity Bank Serbia	32,661,865	29,293,133
Opportunity Bank Ghana	<u>3,720,541</u>	<u>3,619,141</u>
Subtotal – disposal group	<u>36,382,406</u>	<u>32,912,274</u>
Total	\$ <u><u>32,456,299</u></u>	<u><u>32,122,866</u></u>

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.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

For the period from January 1 to September 30, 2020
(with summarized comparative information for the year ended December 31, 2019)

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 September 30, 2020 and December 31, 2019:

	2020	2019
Pledges receivable, net due after September 30, 2020 and December 31, 2019 respectively	\$ 4,815,951	6,254,668
Programs in Latin America	510,830	744,304
Programs in Asia	581,053	206,911
Programs in Africa	678,260	889,530
Education finance programs	1,436,562	383,358
Agriculture finance programs	4,757,061	—
Other programs	5,892,618	4,269,921
Total	\$ 18,672,335	12,748,692

Net assets were released from donor restrictions during the period from January 1 to September 30, 2020 and for the year ended December 31, 2019 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

	2020	2019
Programs in Africa	\$ 1,077,536	1,944,290
Programs in Latin America	1,253,768	1,783,613
Programs in Asia	291,018	385,970
Education finance programs	2,211,292	3,280,429
Agriculture finance programs	1,005,017	—
Other programs	2,043,548	3,111,304
Total	\$ 7,882,179	10,505,606

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 a controlling interest in: Opportunity Bank Ghana. The outside investors' shares are shown in Opportunity's consolidated financial statements as noncontrolling interest.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

For the period from January 1 to September 30, 2020
(with summarized comparative information for the year ended December 31, 2019)

(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 \$4,702,076 and \$4,706,012 in 2020 and 2019, 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 \$331,963 and \$1,464,935 as private contribution revenue in the accompanying consolidated statement of activities, and the corresponding amount was included as fundraising travel expense and professional fees in field program expenses in the accompanying consolidated statement of activities for 2020 and 2019, respectively.

(c) Change of Fiscal Year

Opportunity changed its fiscal year end to September 30. The statement of Financial Position is as of September 30, 2020 with comparative balances as of December 31, 2019. The Statements of Activities, Functional Expenses and Cash Flows are for the nine months from January 1 to September 30, 2020. This is a short period as this is the first fiscal period ended September 30. The 2019 comparative statements are for twelve months ended December 31, 2019 and may not be directly comparable.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

For the period from January 1 to September 30, 2020
(with summarized comparative information for the year ended December 31, 2019)

(d) 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.

(e) 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.

(f) Cash and Investments with Donor Restrictions

Cash and investments with donor restrictions at September 30, 2020 and December 31, 2019 consist of investments to support the annuity obligation (note 2(k)).

(g) 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.

(h) 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 \$55,810 and \$0 in the period ended September 30, 2020 and year ended December 31, 2019, respectively.

(i) 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.

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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 recording an allowance for loan losses (or specific reserves) 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. Allowance or specific reserves 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, changes in underlying collateral values, 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 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.

(j) 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 \$1,176,826 and \$1,042,382 at September 30, 2020 and December 31, 2019, respectively.

(k) 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 0.4% and 2% was utilized as of September 30, 2020 and December 31, 2019, 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.

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(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 September 30, 2020 or December 31, 2019.

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, 2019, from which the summary information was derived.

(n) Reclassifications

Certain reclassifications have been made in the 2019 consolidated financial statements to conform to the 2020 presentation.

(o) Recently Adopted Accounting Standards

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. Opportunity's adoption of the standard on January 1, 2020 did not have a material effect on its consolidated financial statements and related disclosures.

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(p) 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)*. In June 2020, the FAS issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date of ASU No. 2016-02 to fiscal years beginning after December 15, 2021 for not-for-profits. Opportunity is currently evaluating the effect that ASU No. 2016-02 will have on its consolidated financial statements and related disclosures.

(q) Risks and Uncertainties

The spread of COVID-19 is worldwide, dislocating the capital markets and affecting every industry. As of June 18, 2021, 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.

(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 September 30, 2020 and December 31, 2019:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 17,050,636	10,043,366
Pledges receivable, net	4,815,951	6,254,668
Investments, at fair value	680,167	701,501
Notes receivable, net	351,715	—
Other receivables, net	1,111,145	654,226
Donor-advised assets	267,868	307,868
Total financial assets	24,277,482	17,961,629
Less commitments beyond one year:		
Pledges receivable, net	(2,231,994)	(1,918,500)
Total available within one year	\$ 22,045,488	16,043,129

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(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 September 30, 2020 and December 31, 2019, Opportunity's cash and investments and investment securities are accounted for at fair value using the fair value hierarchy of ASC Topic 820 and investments measured at net asset value are as follows:

	September 30, 2020			Total
	Level 1	Level 2	Level 3	
Money market funds – unrestricted cash equivalents	\$ 459,851	—	—	459,851
Money market funds – restricted cash equivalents	738,769	—	—	738,769
Common stock	7,122	—	—	7,122
Other investments	—	—	160,467	160,467
Investments in the fair value hierarchy	1,205,742	—	160,467	1,366,209

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		September 30, 2020			
		Level 1	Level 2	Level 3	Total
Investments measured at net asset value	\$				257,202
Total investments	\$	1,205,742	—	160,467	1,623,411
		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Money market funds – unrestricted cash equivalents	\$	392,112	—	—	392,112
Money market funds – restricted cash equivalents		711,765	—	—	711,765
Short-term investments		—	—	160,467	160,467
Common stock		7,122	—	—	7,122
Investments in the fair value hierarchy		1,110,999	—	160,467	1,271,466
Investments measured at net asset value					296,406
Total investments	\$	1,110,999	—	160,467	1,567,872

The private equity investment was transferred from Level 3 to Investments measured at net asset value. Other Level 3 investments remained the same.

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In accordance with the fair value measurements and disclosures guidance, the following table presents the category, fair value, redemption frequency, and redemption notice period for Opportunity's investments, the fair values of which are estimated using the net asset value per share as of September 30, 2020 and December 31, 2019. Opportunity has a remaining commitment of \$11,044 related to the below investments.

	<u>2020</u>	<u>2019</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private equity fund	\$ 257,202	296,406	N/A	N/A
Total	\$ <u>257,202</u>	<u>296,406</u>		

The fund is a closed private equity fund focused on early stage investments in the healthcare sector.

(5) Investments and Investment in Other Institutions

Investments consist of the following as of September 30, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Short-term investments	\$ 673,045	697,892
Common stock	7,122	3,609
Total investments at fair value	\$ <u>680,167</u>	<u>701,501</u>

Investment income, net of eliminations, from charitable activities for the period from January 1 to September 30, 2020 and for the year ended December 31, 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Dividends	\$ 196	8,365
Realized gain on investments	311,237	87,815
Unrealized gain (loss) on investments	(34,711)	97,919
Equity gain from other institutions	<u>(326,875)</u>	<u>390,633</u>
Gain on investments, net	\$ <u>(50,153)</u>	<u>584,732</u>

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Opportunity and OTI hold varying noncontrolling interests in other institutions as follows:

	<u>2020</u>	<u>2019</u>
MFX Solutions, LLC. (0.2% and 1.2% respectively)	\$ 39,794	250,235
Growing Opportunity Finance (India) Pvt. Ltd (0.8%)	55,547	40,709
SEAF Serbia Impact Fund B.V. (60%)	986,530	1,448,785
Opportunity International China Ltd. (0% and 32.8% respectively)	—	231,863
Dia Vikas Capital Pvt. Ltd-India (10.5%)	3,491,889	3,259,050
VisionFund DRC (20%)	—	402,602
Opportunity Bank Uganda Limited (35.4% and 36.7% respectively)	3,338,520	3,466,010
COOP ASPIRE (2.3%)	<u>100,000</u>	<u>—</u>
Total investment in other institutions	\$ <u>8,012,280</u>	<u>9,099,254</u>

Equity gain (loss) from the investment in other institutions (including \$55,810 impairment in 2020) consists of the following:

	<u>2020</u>	<u>2019</u>
MFX Solutions, LLC.	\$ 13,140	4,219
SEAF Serbia Impact Fund B.V.	(196,238)	187,524
Growing Opportunity Finance (India) Pvt. Ltd.	14,837	9,115
Dia Vikas Capital Pvt. Ltd – India	232,838	(60,821)
VisionFund DRC	(402,602)	—
Opportunity Bank Uganda Limited	<u>11,150</u>	<u>250,596</u>
Total equity gain from other institutions	\$ <u>(326,875)</u>	<u>390,633</u>

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(6) Notes Receivable

Notes receivable as of September 30, 2020 and December 31, 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Association de Oportunidad y Desarrollo Economico de Nicaragua (ASODENIC), interest rate 0%	\$ 10,000	10,000
COOP ASPIRE, interest rate 0%	—	100,000
Opportunity Bank Uganda, interest rate 4%	310,000	—
COOP ASPIRE, interest rate 4%	165,428	200,000
Crezcamos, interest rate 4%	<u>76,287</u>	<u>—</u>
Subtotal notes receivable	561,715	310,000
Less allowance for uncollectible amounts	<u>(210,000)</u>	<u>(310,000)</u>
Total net notes receivable	<u>\$ 351,715</u>	<u>—</u>

The \$100,000 COOP ASPIRE note was converted to shares of COOP ASPIRE in 2020.

(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 Ghana and Serbia have been segregated and reported as held for sale in the consolidated statement of financial position as of September 30, 2020, with comparative presentation for 2019. Furthermore, all banking activities have been reported as discontinued operations in the consolidated statement of activities for all periods presented. A net combined loss of \$1,967,493 on the disposal of assets held for sale was recorded in 2019.

On December 4, 2019, the shareholders of Opportunity Bank Colombia sold 100% of the shares of Opportunity Bank Colombia to a Colombian bank with a shared mission to extend loans to small entrepreneurs.

On November 10, 2020, the shareholders signed an agreement to sell 25% of the shares of Opportunity Bank Ghana to an unrelated third party. OTI expects to maintain majority ownership of Opportunity Ghana after the completion of the transaction.

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On December 17, 2019, OTI signed an agreement to sell 78% of its shares of Opportunity Bank Serbia to unrelated third parties. On November 19, 2020, OTI finalized the sale of 78% of its shares per the agreement. On February 17, 2021, OTI sold 2% of its shares to the senior managers of Opportunity Bank Serbia.

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 September 30, 2020 and December 31, 2019:

	2020	2019
Carrying amounts of major classes of assets, net of eliminations, included as part of discontinued operations:		
Cash and cash equivalents	\$ 73,334,917	44,690,316
Loans receivable, net of allowance	173,893,767	156,555,036
Prepaid expenses and other assets	12,977,610	8,529,054
Building, furniture, and equipment, net of accumulated depreciation	11,682,989	11,557,883
Loss on assets of disposal group classified as held for sale	(3,944,146)	(3,944,146)
Total assets of the disposal group classified as held for sale in the consolidated statement of financial position	\$ 267,945,137	217,388,143
	2020	2019
Carrying amounts of major classes of liabilities, net of eliminations, included as part of discontinued operations:		
Accounts payable and accrued liabilities	\$ 11,844,749	11,102,924
Deposits from customers	151,652,701	129,258,508
Notes payable	61,678,007	38,222,807
Deferred revenue	4,355,971	3,902,081
Total liabilities of the disposal group classified as held for sale in the consolidated statements of financial position	\$ 229,531,428	182,486,320

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The following table represents a reconciliation of the major classes of line items, net of eliminations, constituting the results of discontinued operations for the period from January 1 to September 30, 2020 and for the year ended December 31, 2019:

	2020	2019
Major classes of line items constituting the loss of discontinued operations, net of eliminations:		
Revenue:		
Loan interest income	\$ 28,217,670	47,093,984
Other fees and income	1,964,455	4,438,847
Total revenue	30,182,125	51,532,831
Expenses:		
Interest	6,283,107	10,337,582
Provision for loan losses	2,462,618	2,157,889
Management and general, including income tax expense	19,373,280	33,283,388
Total operating expenses	28,119,005	45,778,859
Nonoperating activities:		
Net loss on assets of disposal group classified as held for sale	—	(1,967,493)
Net unrealized gain (loss) on foreign currency translation	1,493,285	(2,258,504)
Gain from discontinued banking activities	3,556,405	1,527,975
Net (gain) loss attributable to noncontrolling interests	(65,800)	47,917
Net gain attributable to OTI	\$ 3,490,605	1,575,892

(8) Deferred Revenue and Notes Payable

On May 11, 2020 Opportunity received a \$994,200 Paycheck Protection Program loan under the CARES act. The \$994,200 is classified as a conditional grant and included in deferred revenue as of September 30, 2020. The proceeds of the loan were used for payroll and eligible expenses per the loan agreement and the full loan amount was forgiven on March 9, 2021. Total deferred revenue of \$1,911,053 and \$1,022,702 as of September 30, 2020 and December 31, 2019, respectively, represent funds received for conditional grants.

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Charitable notes payable as of September 30, 2020 and December 31, 2019 include the following:

	<u>2020</u>	<u>2019</u>
Charitable notes payable:		
Note payable, 2% interest, maturity October 2024	\$ 100,000	100,000
Note payable, 2% interest, maturity April 2021	100,000	100,000
Note payable, 2% interest, maturity April 2021	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 2021	50,000	50,000
Note payable, 3% interest, maturity October 2023	100,000	100,000
Notes payable, 7% interest, maturity December 2021	8,323,898	7,962,437
Note payable, 2% interest, maturity February 2025	200,000	—
Note payable, 8% interest, maturity December 2020	500,000	500,000
Note payable, 6% interest, maturity October 2020	300,000	500,000
Note payable, 3% interest, maturity February 2021	102,397	—
Note payable, 0% interest, November 2020	222,971	132,971
Total charitable notes payable	\$ <u>13,099,266</u>	<u>12,545,408</u>

Impact Investment Fund notes of \$3,850,000 outstanding as of September 30, 2020 and December 31, 2019, are included in charitable notes payable. Maturities range from one to five years. Annual interest is 2% to 8%.

Included in charitable notes payable are ten 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 (\$8,323,898 and \$7,962,437, respectively) as of September 30, 2020 and December 31, 2019, 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. OTI sold the majority of its shares of Opportunity Bank Serbia on November 19, 2020 and the related notes were paid in full on November 30, 2020.

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Aggregate maturities of notes payable as of September 30, 2020 are as follows:

FY 2021	\$	4,375,368
FY 2022		8,323,898
FY 2023		—
FY 2024		100,000
FY 2025		<u>300,000</u>
Total notes payable	\$	<u><u>13,099,266</u></u>

(9) Noncontrolling Interest

Below is the activity of the noncontrolling interest for the period from January 1 to September 30, 2020 and for the year ended December 31, 2019:

		<u>September 30, 2020</u>			
		<u>Beginning balance</u>	<u>Interest in gain (loss) of consolidated subsidiaries</u>	<u>Increase decrease) in share capital</u>	<u>Ending balance</u>
Noncontrolling interest of disposal group classified as held for sale:					
Opportunity Bank Ghana	\$	<u>2,348,531</u>	<u>65,800</u>	<u>—</u>	<u>2,414,331</u>
Total – disposal group	\$	<u><u>2,348,531</u></u>	<u><u>65,800</u></u>	<u><u>—</u></u>	<u><u>2,414,331</u></u>

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

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(10) 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 period ended September 30, 2020 and year ended December 31, 2019 was \$280,210 and \$445,114, respectively. Future minimum net operating lease payments as of September 30, 2020 are as follows:

FY 2021	\$	497,313
FY 2022		<u>260,863</u>
Total	\$	<u><u>758,176</u></u>

The banks lease office space and equipment in the various countries in which they are located under operating leases. Lease liabilities of \$1,110,382 are included in the liabilities of disposal group classified as held for sale as of September 30, 2020.

(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 (\$11,723,820 and \$11,214,730 as of September 30, 2020 and December 31, 2019, respectively). As of September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019, Opportunity Bank Ghana met these regulatory requirements.

(11) 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 \$351,693 and \$420,122 for the nine months ended September 30, 2020 and year ended December 31, 2019, respectively, and is included in salaries and benefits on the consolidated statement of functional expenses.

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(12) Related-Party Transactions

Included in program services in the consolidated statement of activities are grant expenses of \$5,539,270 and \$7,248,833 in 2020 and 2019, respectively, which relate to disbursements made by Opportunity to its affiliated member organizations.

Pledges for future donations of \$2,064,250 and \$1,031,250 were due from board members of Opportunity as of September 30, 2020 and December 31, 2019, respectively.

(13) 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 \$73.3 million and \$44.7 million as of September 30, 2020 and December 31, 2019, respectively, which is approximately 27.4% and 20.3% of total assets of the combined banks held for sale in 2020 and 2019, respectively.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

For the period from January 1 to September 30, 2020
(with summarized comparative information for the year ended December 31, 2019)

(14) Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through June 18, 2021, the date the consolidated financial statements were issued.

(a) Sale of Subsidiary and payment of related notes

On November 19, 2020, Opportunity sold 78% of its shares in Opportunity Serbia. Opportunity used \$8.4 million of the proceeds to pay off the related Serbia notes on November 30, 2020. In February 2021 Opportunity sold 2% of its shares to senior management of Opportunity Serbia.

(b) Investment in other institutions

In April 2021, Opportunity purchased additional shares in Opportunity Bank Uganda which increased OTI's ownership to 40% of the outstanding shares.

(c) Control of Opportunity Nicaragua

In accordance with mutually agreed revisions to the by-laws of Opportunity Nicaragua, Opportunity will no longer control Opportunity Nicaragua effective October 1, 2020 and the financial statements of Opportunity Nicaragua will not be included in the consolidated financial statements of Opportunity. Opportunity continues to support Opportunity Nicaragua through active board representation and grant funds.

(d) Deferred Revenue

On March 9, 2021, Opportunity's \$994,200 Paycheck Protection Program loan under the CARES Act was forgiven. The proceeds of the loan were used for eligible payroll expenses per the loan agreement.

On May 3, 2021, Opportunity received a second draw \$1,068,700 Paycheck Protection Program 1% interest, 5 year 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 2022.

(e) Notes Payable

On November 15, 2020, the maturity date of a \$500,000 note was extended by the noteholder to November 15, 2023.

Opportunity repaid \$10,823,898 of principal in accordance with loan terms between October 1, 2020 and May 31, 2021.

(f) Reserve and Regulatory Capital Requirements

As of June 18, 2021, OTI's foreign for-profit microfinance subsidiary in Ghana met the regulatory requirements of Ghana.

Supplementary Schedule 1

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidating Schedules of Statements of Financial Position – Banking Operations

As of September 30, 2020 and year ended December 31, 2019

September 30, 2020	Discontinued operations			
	Opportunity Bank Serbia	Opportunity Bank Ghana	Eliminations	2020 Banks consolidated
Banking assets:				
Cash and cash equivalents	\$ 59,144,127	14,190,790	—	73,334,917
Loans receivable, net of allowance	149,691,195	24,202,572	—	173,893,767
Prepaid expenses and other assets	7,378,686	5,981,952	(383,028)	12,977,610
Building, furniture, and equipment, net of accumulated depreciation	6,083,747	5,599,242	—	11,682,989
Loss on assets of disposal group classified as held for sale	(3,944,146)	—	—	(3,944,146)
Total banking assets	\$ 218,353,609	49,974,556	(383,028)	267,945,137
Banking liabilities:				
Accounts payable and accrued liabilities	\$ 6,871,820	4,972,929	—	11,844,749
Deposits from customers	115,792,899	35,859,802	—	151,652,701
Notes payable	59,345,200	2,332,807	—	61,678,007
Deferred revenue	3,681,825	674,146	—	4,355,971
Total banking liabilities	185,691,744	43,839,684	—	229,531,428
Unrestricted net assets – banking	32,661,865	6,134,872	(383,028)	38,413,709
Total liabilities and net assets	\$ 218,353,609	49,974,556	(383,028)	267,945,137

December 31, 2019	Discontinued operations			
	Opportunity Bank Serbia	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

See accompanying independent auditors' report.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidating Schedules of Statements of Activities – Banking Operations

For the period from January 1 to September 30, 2020

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

For the period from January 1 to September 30, 2020	Discontinued operations					2020 Banks consolidated
	Opportunity Bank Serbia	Opportunity Colombia	Opportunity Bank Ghana	Noncontrolling interests	Eliminations	
Operating activities:						
Revenue:						
Loan interest income	\$ 18,965,125	—	9,252,545	—	—	28,217,670
Other fees and income	299,876	—	1,664,579	—	—	1,964,455
Total revenue	19,265,001	—	10,917,124	—	—	30,182,125
Expenses:						
Interest on notes payable	1,705,241	—	647,814	—	—	2,353,055
Interest on client deposits	2,541,754	—	1,388,298	—	—	3,930,052
Provisions on loan losses	2,213,796	—	248,822	—	—	2,462,618
Management and general	10,890,504	—	8,540,420	—	(87,595)	19,343,329
Total operating expenses before taxes	17,351,295	—	10,825,354	—	(87,595)	28,089,054
Income tax expense (benefit)	192,830	—	(162,879)	—	—	29,951
Increase in operating net assets	1,720,876	—	254,649	—	87,595	2,063,120
Nonoperating activities:						
Unrealized loss on foreign currency translation	1,580,733	—	(87,448)	—	—	1,493,285
Net loss attributable to noncontrolling interests	—	—	—	(65,800)	—	(65,800)
Total nonoperating activities	1,580,733	—	(87,448)	(65,800)	—	1,427,485
Increase (decrease) in net assets	\$ 3,301,609	—	167,201	(65,800)	87,595	3,490,605

For the year ended December 31, 2019	Discontinued operations					2019 Banks consolidated
	Opportunity Bank Serbia	Opportunity Colombia	Opportunity Bank Ghana	Noncontrolling interests	Eliminations	
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 gain 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)	47,917	1,338,965	1,575,892

See accompanying independent auditors' report.