OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Financial Statements and Supplementary Schedules

December 31, 2017
(with summarized comparative information as of December 31, 2016)

(With Independent Auditors' Report Thereon)

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

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, 2017, 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 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 December 31, 2017, and the changes in their net assets, their cash flows, and their functional expenses for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Opportunity International, Inc. and Affiliates' 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 Charitable Activities and Banking Activities columns on page 6, and the Consolidating Schedules of Statements of Financial Position Information – Banking Operations Only and the Consolidating Schedules of Statements of Activities Information – Banking Operations Only are presented for purposes of additional analysis and are 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 10, 2018

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Financial Position

December 31, 2017
(with summarized comparative information as of December 31, 2016)

	2017				
Assets	**Charitable activities**	**Banking activities**	**Eliminations**	**Total**	**2016**
Cash and cash equivalents	$ 10,575,543	24,423,288	—	34,998,831	35,788,048
Restricted cash and investments	838,406	—	—	838,406	771,057
Pledges receivable, net	9,095,219	—	—	9,095,219	7,828,406
Investments, at fair value	600,843	—	—	600,843	541,753
Notes receivable, net	7,730,674	—	(4,791,450)	2,939,224	2,541,826
Loans receivable, net	—	112,908,718	—	112,908,718	83,909,658
Other receivables, net	271,120	—	(170,453)	100,667	354,355
Donor-advised assets	375,668	—	—	375,668	390,668
Prepaid expenses and other assets	782,433	3,399,598	—	4,182,031	2,703,447
Investment in other institutions	8,812,520	—	—	8,812,520	8,584,199
Building, furniture, and equipment, net	1,686,918	3,376,286	—	5,063,204	5,621,822
Assets of disposal group classified as held for sale	—	88,851,902	—	88,851,902	111,564,349
Total assets	$ 40,769,344	232,959,792	(4,961,903)	268,767,233	260,599,588
Liabilities and Net Assets					
Accounts payable and accrued liabilities	$ 13,082,906	3,739,593	(170,453)	16,652,046	14,249,500
Notes payable	20,348,991	38,835,912	(4,805,261)	54,379,642	41,035,210
Deferred revenue	—	2,541,235	—	2,541,235	1,583,820
Deposits from customers	—	72,227,968	—	72,227,968	60,314,761
Liabilities of disposal group classified as held for sale	—	78,707,473	—	78,707,473	97,284,337
Total liabilities	33,431,897	196,052,181	(4,975,714)	224,508,364	214,467,628
Noncontrolling interest	—	2,499,887	—	2,499,887	3,396,794
Net assets:					
Unrestricted	(10,939,632)	34,407,724	13,811	23,481,903	24,214,979
Temporarily restricted	18,277,079	—	—	18,277,079	18,520,187
Total net assets	7,337,447	34,407,724	13,811	41,758,982	42,735,166
Total liabilities and net assets	$ 40,769,344	232,959,792	(4,961,903)	268,767,233	260,599,588

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2017
(with summarized comparative information for the year ended December 31, 2016)

	2017						
	Unrestricted						
	Charitable activities	Banking activities	Eliminations	Total	Temporarily restricted	Total	2016
Operating activities:							
Charitable support, gains, and losses:							
Private contributions	$ 10,399,933	—	—	10,399,933	10,793,531	21,193,464	19,242,312
Government grants	—	—	—	—	445,404	445,404	629,347
Other	1,377,243	—	(1,050,000)	327,243	—	327,243	216,815
Net assets released from restrictions	11,482,043	—	—	11,482,043	(11,482,043)	—	—
Total charitable support, gains, and losses	23,259,219	—	(1,050,000)	22,209,219	(243,108)	21,966,111	20,088,474
Banking revenue:							
Loan interest income	—	21,226,434	—	21,226,434	—	21,226,434	18,368,235
Other fees and income	—	578,642	—	578,642	—	578,642	491,256
Total banking revenue	—	21,805,076	—	21,805,076	—	21,805,076	18,859,491
Total support and revenue	23,259,219	21,805,076	(1,050,000)	44,014,295	(243,108)	43,771,187	38,947,965
Expenses:							
Charitable expenses:							
Program services:							
Grants for member organizations for operations and client loans	3,965,053	—	(941,968)	3,023,085	—	3,023,085	5,130,524
Development of member organizations	18,174,461	—	—	18,174,461	—	18,174,461	15,000,903
Total program services	22,139,514	—	(941,968)	21,197,546	—	21,197,546	20,131,427
Supporting services:							
Fundraising	3,700,196	—	—	3,700,196	—	3,700,196	4,301,394
Management and general	2,733,353	—	—	2,733,353	—	2,733,353	2,511,814
Total supporting services	6,433,549	—	—	6,433,549	—	6,433,549	6,813,208
Total charitable expenses	28,573,063	—	(941,968)	27,631,095	—	27,631,095	26,944,635
Banking expenses:							
Interest	—	4,646,046	(604,524)	4,041,522	—	4,041,522	3,806,299
Provision for loan losses	—	1,200,786	—	1,200,786	—	1,200,786	1,119,132
Operating expenses	—	12,652,675	(1,037,605)	11,615,070	—	11,615,070	10,323,459
Total banking expenses	—	18,499,507	(1,642,129)	16,857,378	—	16,857,378	15,248,890
Total expenses	28,573,063	18,499,507	(2,584,097)	44,488,473	—	44,488,473	42,193,525
Increase (decrease) in net assets from continuing operating activities	(5,313,844)	3,305,569	1,534,097	(474,178)	(243,108)	(717,286)	(3,245,560)
Discontinued operations:							
Loss from operations of discontinued banking activities (including loss on disposal of $1,555,025 and $1,016,873 in 2017 and 2016, respectively)	(233,799)	(3,776,699)	(815,782)	(4,826,280)	—	(4,826,280)	(8,413,654)
Nonoperating activities:							
Gain (loss) on investments (including $307,950 and $3,731,294 impairment in 2017 and 2016, respectively)	154,884	—	(730,710)	(575,826)	—	(575,826)	(3,732,087)
Foreign currency translation gain (loss) for continuing operations	(322,653)	4,266,199	84,038	4,027,584	—	4,027,584	(1,273,826)
Noncontrolling interest in net loss of consolidated subsidiaries	—	1,128,541	—	1,128,541	—	1,128,541	2,163,117
Increase (decrease) in net assets from nonoperating activities	(167,769)	5,394,740	(646,672)	4,580,299	—	4,580,299	(2,842,796)
Investment in banking activities	(970,295)	957,378	—	(12,917)	—	(12,917)	106,383
Increase (decrease) in net assets	(6,685,707)	5,880,988	71,643	(733,076)	(243,108)	(976,184)	(14,395,627)
Net assets:							
Beginning of year	(4,253,925)	28,526,736	(57,832)	24,214,979	18,520,187	42,735,166	57,130,793
End of year	$ (10,939,632)	34,407,724	13,811	23,481,903	18,277,079	41,758,982	42,735,166

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended December 31, 2017
(with summarized comparative information for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 3,850,096	(5,981,973)
Discontinued operations	(4,826,280)	(8,413,654)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,530,982	1,553,408
Foreign currency translation (gain) loss	(4,027,584)	1,273,826
Provision for loan losses	1,200,786	1,119,132
Net gain attributable to noncontrolling interests	—	191,489
Net realized and unrealized loss on investments	597,597	43,494
Equity in loss of investment in other institutions	10,637	170,484
Impairment of investment in other institutions	307,950	3,731,294
Changes in assets and liabilities:		
Pledges and other receivables	(1,013,124)	9,747,588
Prepaid expenses and other assets	(1,463,584)	674,279
Accounts payable and accrued liabilities	2,124,724	(1,088,056)
Deferred revenue	957,415	472,655
Noncontrolling interest	231,634	566,623
Net cash provided by (used in) operating activities of continuing operations	(518,751)	4,060,589
Net cash used in operating activities of discontinued operations	(5,685,073)	(624,368)
Net cash provided by (used in) operating activities	(6,203,824)	3,436,221
Cash flows from investing activities:		
Loan originations, net of principal collections	(30,199,846)	(7,678,470)
Sale (purchase) of investments in unconsolidated affiliates	(220,901)	874,418
Sale of restricted cash and investments	(724,037)	7,535,415
Additions of building, furniture, and equipment, net	(972,364)	(378,273)
Collections (issuance) of notes receivable, net	(445,583)	425,929
Net cash provided by (used in) investing activities of continuing operations	(32,562,731)	779,019
Net cash provided by (used in) investing activities of discontinued operations	(875,826)	5,592,926
Net cash provided by (used in) investing activities	(33,438,557)	6,371,945
Cash flows from financing activities:		
Proceeds from notes payable	16,254,350	9,000,958
Principal payments of notes payable	(2,909,918)	(14,495,728)
Deposits from customers, net	11,913,207	142,929
Net cash provided by (used in) financing activities of continuing operations	25,257,639	(5,351,841)
Net cash provided by financing activities of discontinued operations	9,567,941	3,422,401
Net cash provided by (used in) financing activities	34,825,580	(1,929,440)
Effect of exchange rate changes on cash	4,027,584	(1,273,826)
Net increase (decrease) in cash and cash equivalents	(789,217)	6,604,900
Cash and cash equivalents at beginning of year	35,788,048	29,183,148
Cash and cash equivalents at end of year	$ 34,998,831	35,788,048
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 12,687,071	13,927,918
Cash paid for taxes	1,133,398	315,728
Supplemental disclosure of noncash investing and financing transactions:		
Conversion of notes receivable into investment in subsidiaries or other institutions	$ 48,185	970,810
Sale of majority interest resulting in notes receivable to the organization	641,333	783,151

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended December 31, 2017
(with summarized comparative information for the year ended December 31, 2016)

	2017						
	Charitable activities						
	Program services	Fundraising	Management and general	Total	Banking activities	Total	2016 Total
Grants for member organizations for operations and client loans	$ 3,023,085	—	—	3,023,085	—	3,023,085	5,130,524
Grants for Opportunity International Network and Opportunity Inc.	9,440,575	—	—	9,440,575	—	9,440,575	5,834,536
Salaries and benefits	3,130,452	2,872,279	1,183,316	7,186,047	5,708,939	12,894,986	12,822,930
Provision for loan loss	—	—	—	—	1,200,786	1,200,786	1,119,132
Rent and utilities	49,960	10,583	458,843	519,386	972,943	1,492,329	1,380,135
Travel and hosting	189,670	320,570	128,514	638,754	407,908	1,046,662	929,237
Professional fees	974,364	240,115	352,275	1,566,754	335,996	1,902,750	3,545,654
Miscellaneous expense	972,339	137,782	82,298	1,192,419	1,467,857	2,660,276	1,564,471
Interest expense	1,107,177	—	21,794	1,128,971	4,041,522	5,170,493	4,960,375
Telephone	5,703	17,767	43,083	66,553	107,963	174,516	143,848
Foreign exchange loss (gain)	824,897	6	44,736	869,639	(3,883)	865,756	(288)
Depreciation expense	975,000	—	103,770	1,078,770	452,212	1,530,982	1,553,408
Board meetings and conferences	6,348	6,369	39,240	51,957	26,329	78,286	53,360
Supplies, printing, and office equipment	96,708	45,332	217,341	359,381	156,781	516,162	1,074,642
Income tax expense	—	—	—	—	724,953	724,953	447,633
Postage and shipping	4,234	18,152	5,801	28,187	100,777	128,964	66,733
Training	4,729	17,707	4,764	27,200	105,885	133,085	97,317
Promotional materials	318,225	13,392	16,917	348,534	99,155	447,689	563,414
Donor-advised grant expense	15,000	—	—	15,000	—	15,000	132,185
Insurance	59,080	142	30,661	89,883	951,255	1,041,138	774,279
Total expenses	$ 21,197,546	3,700,196	2,733,353	27,631,095	16,857,378	44,488,473	42,193,525

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 Christian-based corporation. By providing financial solutions and training, we empower people living in poverty to transform their lives, their children's futures and their communities. Opportunity's programs are financed through direct solicitation of funds from individuals, corporations, foundations, churches, and government grants.

Opportunity fulfills its mission through nongovernmental organizations and commercial microfinance institution members in developing countries. A member organization is an implementer of microenterprise development and provider of financial services within the Opportunity network. Funds are disbursed to member organizations to capitalize various local commercial start-up ventures and to fund their own operations. While member organizations are critical in assisting Opportunity to achieve its purpose, they are not legally affiliated with Opportunity (with the exception of the microfinance institutions that are incorporated as for-profit microfinance institutions, as discussed below), and accordingly, their accounts are not included in these consolidated financial statements.

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

Effective January 1, 1998, all affiliated member organizations of Opportunity signed a membership agreement formalizing the Opportunity International Network (Network). The Network was established 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 operates a service organization that provides training, consulting, and other services to member organizations. The Network is not consolidated in these accompanying consolidated financial statements as the Network is not a legal subsidiary of Opportunity.

Effective April 1, 2014, Opportunity and two other Network support members signed a strategic alliance agreement with Opportunity, Inc., a nonprofit entity incorporated January 23, 2014. Opportunity, Inc. 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.

Opportunity provides a majority of the funding for the Network and Opportunity, Inc.'s operations, along with providing accounting and management services. These services are considered Opportunity's dues for Network membership and support for Opportunity, Inc. Total costs incurred by Opportunity, included in development of member organizations on the consolidated statements of activities, related to the Network and Opportunity, Inc. are $9,440,575 and $5,834,536 for the years ended December 31, 2017 and 2016, respectively.

Program services expense in the charitable activities section of the accompanying consolidated statement of activities includes grants made to the Network and Opportunity, Inc. and disbursements for program services made to its member organizations. The member organizations are not required to pay these grants back to Opportunity. Program services are as follows:

a. Grants for revolving loans – Amounts disbursed to member organizations, which in turn, provide small commercial loans to borrowers/entrepreneurs.

b. Grants for member lending operations and training – Amounts disbursed to member organizations for their operating costs, as well as management and business training and technical assistance to the borrower/entrepreneur.

c. Development of member organizations – Amounts expended by Opportunity and the Network, to the extent of dues paid by Opportunity, to support member organization growth and maturation.

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 majority interests in the microfinance organizations included in continuing operations are as follows:

(i) Opportunity Banka a.d. Novi Sad (Opportunity Bank Serbia) – As of December 31, 2017 and 2016, OTI owned 100% of the outstanding shares of Opportunity Bank Serbia.

The controlling interests in microfinance organizations included in discontinued operations as of December 31, 2017 and December 31, 2016 are as follows (note 7):

(ii) Opportunity Microcredit Romania IFN SA (Opportunity Romania) – As of December 31, 2016, OTI owned 66.7% of the outstanding shares of Opportunity Romania. Effective December 29, 2017, OTI sold its ownership interest in Opportunity Romania to an unrelated third party.

(iii) Opportunity International Colombia S.A. Compania de Financiamiento (Opportunity Colombia) – During 2017 and 2016, Opportunity and OTI made additional capital investments of $963,369 and $474,804, respectively. As of December 31, 2017 and 2016, Opportunity and OTI owned 73.9% and 72.1%, respectively, of the outstanding shares of Opportunity Colombia. On May 25, 2018, the shareholders signed an agreement to sell all outstanding shares to a third party.

(iv) Banco Oportunidade de Mocambique, SARL (Opportunity Bank Mozambique) – During 2016, OTI made an additional investment of $560,552. Effective June 30, 2016, OTI sold its ownership interest in Opportunity Bank Mozambique to an unrelated third party.

(v) Opportunity International Savings & Loans Limited in Ghana (Opportunity Bank Ghana) – During 2017, an unrelated shareholder gifted shares to OTI. During 2016, an unrelated member's ownership interest was transferred to OTI in fulfillment of an outstanding debt with OTI. As of December 31, 2017 and 2016, OTI owned 76.1% and 75.9% of the outstanding shares of Opportunity Bank Ghana.

(vi) Opportunity International Bank of Malawi, Ltd. (Opportunity Bank Malawi) – During 2016, OTI made additional capital investments of $2,493,930. As of December 31, 2016, OTI owned 80.5% of the outstanding shares of Opportunity Bank Malawi. Effective August 18, 2017, OTI sold its ownership interest in Opportunity Bank Malawi to an unrelated third party.

(vii) Opportunity International Bank Rwanda, S.A. (Opportunity Bank Rwanda) – Effective December 15, 2016, OTI sold its ownership interest in Opportunity Bank Rwanda to an unrelated third party.

(viii) Opportunity Kenya Limited (Opportunity Kenya) – Effective June 30, 2016, OTI sold its ownership interest in Opportunity Kenya to an unrelated third party.

(ix) Opportunity Tanzania Limited (Opportunity Tanzania) – Effective June 30, 2016, OTI sold its ownership interest in Opportunity Tanzania to an unrelated third party.

(x) Opportunity International DRC SPRL (Opportunity DRC) – Effective September 26, 2016, OTI sold 80% of its ownership interest in Opportunity DRC to an unrelated third party. As of December 31, 2017 and 2016, OTI maintained a 20% ownership interest in VisionFund DRC (formerly Opportunity DRC) accounted for under the equity method. The value of its ownership interest has been reduced to zero.

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. Net assets of approximately $1.4 million including land, buildings, and equipment owned by Opportunity were transferred to OINIC during the year ended December 31, 2016. 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.

On May 20, 2014, OTI incorporated Opportunity Shared Services Limited (OSSL) in Ghana to provide information technology services to other Opportunity Network members. During 2016, OSSL provided services to eight of the OTI majority-owned banks. The assets and liabilities of OSSL are included in the charitable assets and liabilities of the consolidated statement of financial position and the expenses of OSSL are included in the charitable activities of the consolidated statement of activities. All OSSL grant revenue received from Opportunity and service revenue received from the subsidiaries has been eliminated in consolidation. OSSL ceased operations and sold remaining assets to a local partner as of September 30, 2016.

(Continued)

On December 18, 2014, OTI incorporated Opportunity Transformation Investments B.V. (OTI BV), a private company with limited liability under the laws of the Netherlands to hold the assumed notes from European Fund for Southeast Europe S.A. (note 9). The assets and liabilities of OTI BV are included in the charitable assets and liabilities of the consolidated statement of financial position and the revenue and expenses of OTI BV are included in the charitable activities of 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 fund-raising 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 unrestricted, temporarily restricted, and permanently restricted activities as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets, which include capital and accumulated earnings or deficits at each subsidiary bank, consist of the following as of December 31, 2017 and 2016:

		2017	2016
Unrestricted net assets of continuing operations:			
Opportunity International – United States	$	(10,925,821)	(4,311,757)
Opportunity Bank Serbia		26,763,182	19,191,412
Subtotal – continuing operations		15,837,361	14,879,655

		2017	2016
Unrestricted net assets of disposal group classified as held for sale:			
Opportunity Romania	$	—	549,822
Opportunity Colombia		2,451,417	4,406,186
Opportunity Bank Ghana		5,193,125	4,748,808
Opportunity Bank Malawi		—	(369,492)
Subtotal – disposal group		7,644,542	9,335,324
Total	$	23,481,903	24,214,979

The net assets of the banks are unrestricted 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.

Temporarily Restricted – Net assets that are subject to donor-imposed restrictions that will be met either by actions of Opportunity or by the passage of time. Temporarily restricted net assets are available for the following purposes or periods as of December 31, 2017 and 2016:

		2017	2016
Pledges due after December 31	$	9,095,219	5,907,291
Programs in Latin America and Colombia		612,035	436,449
Programs in Asia		855,519	707,501
Programs in Africa		2,009,091	1,195,032
Education Finance programs		1,784,222	3,724,948
Other programs		3,920,993	6,548,966
Total	$	18,277,079	18,520,187

Net assets were released from donor restrictions during the years ended December 31, 2017 and 2016 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

		2017	2016
Programs in Africa	$	2,234,582	2,927,178
Programs in Latin America and Colombia		1,960,200	2,819,804
Programs in Asia		1,426,950	1,175,110
Education Finance programs		3,161,646	1,718,487
Other programs		2,698,665	4,554,284
Total	$	11,482,043	13,194,863

Permanently Restricted – Net assets that are subject to donor-imposed restrictions to be maintained permanently by Opportunity. Generally, donors of these assets permit Opportunity to use all or part of the income earned on related investments for general or specific purposes.

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 unrestricted net assets. 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, Opportunity Bank Malawi, Opportunity Romania, and Opportunity Colombia. The outside investors' shares are shown in Opportunity's consolidated financial statements as noncontrolling interest. During the years ended December 31, 2017 and December 31, 2016, OTI sold all or part of its ownership interest in several of these banks (note 7).

(b) Revenue and Expense

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets 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 fund-raising activity. Contributions received with donor-imposed restrictions are reported as revenue of the unrestricted net asset class if those restrictions are met

(Continued)

within the same year as received. Donor-restricted contributions received and whose restrictions were met within the same year were $2,841,457 and $5,250,246 in 2017 and 2016, respectively.

Revenue from governmental grant agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from governmental 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 is 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 $543,961 and $1,503,647 as contribution revenue in the accompanying consolidated statement of activities, and the corresponding amount was included as reduction of a note, equipment and services or as grants to the Network and member organizations in the accompanying consolidated statement of financial position for 2017 and 2016, 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) Restricted Cash and Investments

Restricted cash and investments at December 31, 2017 and 2016 consist of investment to support the annuity obligation (note 2(k)).

(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 Other Institutions

Investments in other 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 other 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 other institutions of $307,950 and $3,731,294 as of December 31, 2017 and 2016, respectively. The amounts have been included in the loss on investments in nonoperating activities on the consolidated statement of activities.

(h) Accrued Interest Receivable on Loans

Interest is accrued on loans when earned and included in other assets of banking activities in the consolidated statement of financial position. Accrual of interest is ceased on loans when interest is more than six months delinquent. Interest accrued at the date a loan is placed on nonaccrual status is reversed and charged against income.

(i) Allowance for Loan Losses

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 their 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 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, ranging from 3 to 40 years. Accumulated depreciation on building, furniture, and equipment of continuing operations was $7,339,895 and $5,206,222 at December 31, 2017 and 2016, 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 2.6% and 1.8% was utilized as of December 31, 2017 and 2016, respectively. The difference is classified as unrestricted contributions 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.

(l) Derivatives

Derivatives (swap agreements) are used by Opportunity principally in the management of its foreign currency exposure. Opportunity records the swap agreements on the consolidated statement of financial position at fair value in investments and records the changes in fair value through the consolidated statement of activities in gain or loss on investments. Opportunity does not hold or issue derivatives for speculative purposes.

(m) Allocation of Expenses

Opportunity considers Network Services Organization expenses as a component of its program expense. The amounts relate to dues paid to the Network, which, in turn, 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 dues and are included in program grant expense.

(n) 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, 2017 or 2016.

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 34% of taxable income and current tax expense is recorded for these amounts. Income tax expense is included in banking operating expenses 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.

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. Opportunity has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 will not have a material effect on the operations of the organization.

(o) 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, 2016, from which the summary information was derived.

(p) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* The standard replaces substantially most existing revenue recognition guidance. 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. Since its issuance, the FASB has amended several aspects of the new guidance, including provisions that address revenue recognition associated with the licensing of intellectual property and principal versus agent considerations. This guidance, including the amendments, is required to be adopted by not for profit organizations for annual periods beginning after December 15, 2018. Early application is permitted beginning with the fiscal year 2018. Opportunity is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 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. This guidance becomes effective for Opportunity for the fiscal years beginning after December 15, 2019, with early adoption permitted. Opportunity is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not for Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not for Profit Entities*. This standard provides improvements to the information provided in the financial statements and accompanying notes of not for profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented in financial statements about not for profit's liquidity, financial performance, and cash flows. This guidance becomes effective for Opportunity for fiscal years beginning after December 15, 2017, with early adoption permitted. Opportunity is currently evaluating the effect that ASU 2016-14 will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230); Classification of Certain Cash Receipts and Cash Payments*, to provide guidance for the presentation of certain items between operating, investing or financing in the statement of cash flows, including items such as debt prepayments and extinguishment costs, insurance proceeds, and distribution from equity method investees. ASU 2016-15 is effective for Opportunity for fiscal years beginning January 1, 2019, with early adoption permitted. Opportunity is currently evaluating the effect that ASU 2016-15 will have on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 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 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. ASU 2016-18 is effective for Opportunity for fiscal years beginning January 1, 2019, with early adoption permitted. As a result of this guidance, Opportunity will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the consolidated statement of cash flows because restricted cash will be presented in combination with cash and cash equivalents.

(q) Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the 2017 presentation.

(r) Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through August 9, 2018, the date the consolidated financial statements were issued (note 16).

(3) Fair Value of Financial Instruments

Opportunity follows ASC 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, loans receivable, 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, 2017 and 2016, Opportunity's restricted cash and investments and investment securities are accounted for at fair value using the fair value hierarchy of ASC 820 as follows:

	December 31, 2017		
	Level 1	**Level 2**	**Level 3**
Money market funds – unrestricted cash equivalents	$ 2,013	—	—
Money market funds – restricted cash equivalents	805,487	—	—
Short-term investments	340,131	—	160,206
Common stock	60,312	—	—
Foreign currency swap asset	—	40,194	—
Foreign government securities and bonds	—	3,048,236	—
Total	$ 1,207,943	3,088,430	160,206

	December 31, 2016		
	Level 1	Level 2	Level 3
Money market funds – unrestricted cash equivalents	$ 454,313	—	—
Money market funds – restricted cash equivalents	757,267	—	—
Short-term investments	333,115	—	—
Common stock	—	—	169,870
Foreign currency swap asset	—	38,768	—
Foreign government securities and bonds	—	1,382,086	—
Total	$ 1,544,695	1,420,854	169,870

Foreign government securities and bonds are included in banking activities cash and cash equivalents in the consolidated statement of financial position.

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 2017 and 2016, 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, 2017:

Beginning balance, January 1, 2017	$ 169,870
Gain on investments	253
Sales and distributions	(9,917)
Ending balance, December 31, 2017	$ 160,206

(4) Investments and Investment in Other Institutions

Investments consist of the following as of December 31, 2017 and 2016:

	2017	2016
Short-term investments	$ 500,337	333,115
Common stock	60,312	169,870
Swap asset	40,194	38,768
Total investments at fair value	$ 600,843	541,753

Investment income, net of eliminations, from charitable activities for the years ended December 31, 2017 and 2016 consists of the following:

		2017	2016
Interest	$	109,487	190,310
Dividends		14,060	22,875
Realized loss on investments		(393,256)	(22,638)
Unrealized gain (loss) on investments		12,470	(20,856)
Equity loss from other institutions		(318,587)	(3,901,778)
Loss on investments, net	$	(575,826)	(3,732,087)

OTI holds varying noncontrolling interests in other financial institutions as follows:

		2017	2016
BFSE Holding B.V. (4.3%)	$	32,869	—
MFX Solutions, LLC. (1.2%)		232,733	235,644
Growing Opportunity Finance (India) Pvt. Ltd (.8%)		24,004	18,722
SEAF Serbia Impact Fund B.V. (60%)		107,820	83,332
Opportunity International China Ltd. (32.8%)		2,446,082	2,495,995
Dia Vikas Capital Pvt. Ltd-India (8.63%)		2,202,792	2,507,580
Opportunity Bank Uganda Limited (36.7%)		2,898,204	2,652,732
Redeemable noncontrolling interest in Opportunity Colombia		868,016	590,194
Total investment in other institutions	$	8,812,520	8,584,199

Effective September 30, 2016, OTI sold 49% of its ownership interest in Opportunity Bank Uganda to an unrelated third party. As of December 31, 2017 and 2016, OTI owned 36.7% of the outstanding shares of Opportunity Bank Uganda. OTI's remaining investment of $3,789,617, less impairment of $1,136,885, is accounted for under the equity method and included in investments in other institutions.

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) their interest, approximately 10.2%, of the outstanding capital stock of Opportunity Colombia. The shareholder agreement was amended during 2016, allowing the Put Option to be exercisable between 42 and 72 months from December 31, 2017. The price paid upon exercise will be determined based on the greater of established fair market value of the Opportunity Colombia shares or the initial investment of the shareholder adjusted for inflation. Accordingly, OTI recorded approximately $868,016 and $590,194 in the investment in other financial institutions and in accrued liabilities in the accompanying consolidated statement of financial position as of December 31, 2017 and 2016, respectively.

Equity loss from the investment in other institutions, including impairment loss of $307,950 and $3,731,294 in 2017 and 2016, respectively, consists of the following:

		2017	2016
BFSE Holding B.V.	$	—	(1,160,750)
MFX Solutions, LLC.		(2,911)	8,768
Opportunity Kauswagan Bank, Inc.		—	(635,000)
SEAF Serbia Impact Fund B.V.		(163,544)	(108,964)
Opportunity International China Ltd.		(49,913)	(1,422,488)
Growing Opportunity Finance (India) Pvt. Ltd.		5,282	5,299
Dia Vikas Capital Pvt. Ltd – India		(352,973)	(588,643)
Opportunity Bank Uganda Limited		245,472	—
Total equity loss from other institutions	$	(318,587)	(3,901,778)

(5) Notes Receivable

Notes receivable as of December 31, 2017 and 2016 are as follows:

		2017	2016
Association de Oportunidad y Desarrollo Economico de Nicaragua (ASODENIC), interest rate 0%	$	60,000	130,000
ASODENIC, interest rate 3%		—	100,000
Sinapi Aba Trust (SAT), Ghana, interest rate at 0%		67,594	97,594
Alalay Sa Kaunlaran Sa Gitnang Luzon Inc (ASKI), interest rate 0%		52,638	52,638
ASPIRE, interest rate 0%		176,666	176,666
Dia Vikas Capital Pvt. Ltd (Dia Vikas), interest rate 12%		975,037	1,035,000
Opportunity Kauswagan Remit Inc. (OK Remit), interest 0%		200,000	200,000
Opportunity Uganda, interest 0%		205,000	102,500
Opportunity Uganda, interest 2%		48,000	—
Opportunity Kenya, interest 10%		268,832	268,151
Opportunity Tanzania, interest 0%		412,500	412,500
Coop ASPIRE, interest 10%		301,893	306,579
Opportunity Microcredit Romania, interest 7%		641,333	—
Taytay Sa Kauswagan Inc. (TSKI) interest rate 0%		11,446	11,446
Taytay Sa Kauswagan Inc. (TSKI) interest rate 9%		73,099	73,566
Subtotal notes receivable		3,494,038	2,966,640
Less allowance for uncollectible amounts		(554,814)	(424,814)
Total net notes receivable	$	2,939,224	2,541,826

The ASODENIC, ASPIRE, Dia Vikas, and OK Remit notes are convertible to equity upon demand. During 2017, OTI converted $48,185 of the Dia Vikas note to equity.

(6) Loans Receivable

Loans represent microloans granted to individuals and private entrepreneurs by microfinance banks for the purpose of providing financing support to small enterprises. In addition, loans may be made for the purpose of financing agriculture activities. These loans are granted generally for a period of between one month and ten years at interest rates of between 3% and 48%. Certain loans may be collateralized by security such as cash or mortgages. Loans outstanding of continuing operations as of December 31, 2017 and 2016 consist of the following:

		2017	2016
Loans receivable	$	115,204,465	85,820,473
Less loan loss allowance		(2,295,747)	(1,910,815)
Net loan portfolio	$	112,908,718	83,909,658

Gross loan portfolio by product for the years ended December 31, 2017 and 2016 is as follows:

		2017	2016
Individual	$	85,982,009	62,833,126
Small and medium enterprise (SME)		29,222,456	22,987,347
Total gross loans	$	115,204,465	85,820,473

A summary of the activity in the allowance for loan losses for the years ended December 31, 2017 and 2016 is as follows:

		2017	2016
Balance at beginning of year	$	1,910,815	1,904,947
Provision for loan losses		1,200,786	1,119,132
Loans charged off		(1,154,562)	(1,072,062)
Foreign currency translation gain (loss)		338,708	(41,202)
Balance at end of year	$	2,295,747	1,910,815

The following tables summarize the activity in the loan loss allowance by product for the years ended December 31, 2017 and 2016:

Year ended December 31, 2017		Individual	SME	Total
Balance at beginning of year	$	786,677	1,124,138	1,910,815
Provision for loan losses		1,017,853	182,933	1,200,786
Loans charged off		(577,393)	(577,169)	(1,154,562)
Foreign currency translation loss		134,361	204,347	338,708
Balance at end of year	$	1,361,498	934,249	2,295,747
Reserve components:				
Individually evaluated for impairment	$	557,275	410,153	967,428
Collectively evaluated for impairment		804,223	524,096	1,328,319
Total	$	1,361,498	934,249	2,295,747

Year ended December 31, 2016		Individual	SME	Total
Balance at beginning of year	$	576,337	1,328,610	1,904,947
Provision for loan losses		584,748	534,384	1,119,132
Loans charged off		(327,033)	(745,029)	(1,072,062)
Foreign currency translation loss		(47,375)	6,173	(41,202)
Balance at end of year	$	786,677	1,124,138	1,910,815
Reserve components:				
Individually evaluated for impairment	$	77,507	577,072	654,579
Collectively evaluated for impairment		709,170	547,066	1,256,236
Total	$	786,677	1,124,138	1,910,815

The lending activities of OTI's banks are primarily conducted within their respective countries. The following is a summary of loans outstanding, net of the related allowance, by country as of December 31, 2017 and 2016:

		2017	2016
Opportunity Bank Serbia	$	112,908,718	83,909,658
Balance at end of year	$	112,908,718	83,909,658

The following is a summary of expected loan maturities as of December 31, 2017 and 2016:

	2017	2016
Less than 1 month	$ 2,026,895	2,080,882
From 1 to 3 months	1,451,653	1,236,749
From 3 to 12 months	15,610,246	13,081,286
Over 1 year	96,115,671	69,421,556
Balance at end of year	$ 115,204,465	85,820,473

Aging analysis of gross loans receivable as of December 31, 2017 and 2016 is as follows:

	2017	2016
Current	$ 112,441,781	83,144,871
30–59 days past due	782,159	578,827
60–89 days past due	268,173	298,847
90 days and over past due	1,712,352	1,797,928
Total gross loans receivable	$ 115,204,465	85,820,473

There were no loans to employees and officers of the bank as of December 31, 2017 and 2016.

OTI's banks will often make loans to borrowers that would be unable to secure financing from commercial sources. The ability of each borrower to repay its respective bank depends on the entrepreneurial success of each borrower. In addition, payments to OTI banks depend on the economic and political environment of each locality in which loans are made.

OTI's banks carry their impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate. The balance of impaired loans at OTI's banks at December 31, 2017 and 2016 was approximately $1.9 million and $2.0 million, respectively. Impaired loan statistics are summarized in the following tables:

December 31, 2017	Impaired loans with valuation allowance	Impaired loans with no valuation allowance	Total impaired loans	Valuation allowance	Interest income recognized
Individual	$ 658,958	48,368	707,326	783,761	36,372
SME	1,156,873	31,809	1,188,682	481,721	11,549
Total	$ 1,815,831	80,177	1,896,008	1,265,482	47,921

December 31, 2016		Impaired loans with valuation allowance	Impaired loans with no valuation allowance	Total impaired loans	Valuation allowance	Interest income recognized
Individual	$	917,162	58,993	976,155	498,120	28,879
SME		998,995	59,438	1,058,433	777,126	10,324
Total	$	1,916,157	118,431	2,034,588	1,275,246	39,203

Troubled debt restructurings (TDR) represent loans for which the original contractual terms have been modified to provide for terms that are less than what management would be willing to accept for new loans with comparable risk because of deterioration in the borrower's financial condition. Loan restructurings occur for reasons including delinquency or anticipation of financial difficulty due to seasonal issues or natural disasters. Modifications may include one or more of the following changes to the terms of the loan, including, but not limited to, a change in interest rate, reduction in the payment amount, or an extension of the reimbursement period. Once a loan is restructured, loss provision is determined in the same manner as that of a regular loan. The following tables present information about receivables for which the original contractual terms were modified during the years ended December 31, 2017 and 2016, and as a result became classified as TDR's:

December 31, 2017		Amount with allowance	Amount without allowance	Total TDR loans	Related allowance	Average TDR balance	Interest income recognized
Individual	$	973,227	120,473	1,093,700	182,408	3,640	3,620
SME		790,160	171,123	961,283	274,642	8,781	4,614
Total	$	1,763,387	291,596	2,054,983	457,050	12,421	8,234

December 31, 2016		Amount with allowance	Amount without allowance	Total TDR loans	Related allowance	Average TDR balance	Interest income recognized
Individual	$	1,030,109	186,514	1,216,623	111,720	3,007	6,098
SME		1,239,680	289,052	1,528,732	593,964	8,854	2,688
Total	$	2,269,789	475,566	2,745,355	705,684	11,861	8,786

(7) Discontinued Operations

Opportunity considers a component to be classified as discontinued operations when it meets the criteria established under ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which was adopted by Opportunity as of January 1, 2015. 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.

During 2015, OTI made the decision to sell its banking activities located in Africa. During 2017, OTI made the decision to sell its banking activities located in Colombia and Romania. Because these banking activities are a major part of OTI's operations and financial results, OTI has determined that the disposals represent a strategic shift. Accordingly, the assets and liabilities of the banking activities located in Colombia and Ghana have been segregated and reported as held for sale in the consolidated statement of financial position as of December 31, 2017, with comparative presentation for 2016, and the assets and liabilities of Romania and Malawi have been segregated and reported as held for sale in the consolidated statement of financial position as of December 31, 2016. Furthermore, the banking activities in these regions have been segregated and reported as discontinued operations in the consolidated statement of activities for all periods presented.

On October 27, 2015, OTI and Opportunity entered into a share purchase agreement to sell its shares in six banks serving sub-Saharan Africa to MyBucks S.A. (MyBucks); a Luxembourg based financial technology company. Opportunity will be a minority shareholder in MyBucks and retain at least one board seat at the parent level and one board seat of each bank. OTI estimated a loss on the disposal of its banking activities classified as held for sale as of December 31, 2015, of approximately $13.9 million. The loss was recognized as a reduction in value of the assets of the disposal group as of December 31, 2015. $3.8 million of the loss on disposal group was attributable to noncontrolling interests. On July 1, 2016, the shares of Opportunity Kenya, Opportunity Tanzania, and Opportunity Bank Mozambique were sold to MyBucks. Opportunity Inc. has assumed the responsibility for the warranties in connection with the sale of Opportunity Bank Mozambique, Opportunity Kenya, Opportunity Tanzania, and Opportunity Bank Uganda for the consideration of $2.2M of MyBucks shares. Effective February 1, 2018, the responsibility for warranties was transferred to Opportunity (note 16).

OTI retains minority ownership interest in Opportunity DRC and Opportunity Bank Uganda. On September 26, 2016, OTI sold 80% of its shares in Opportunity DRC to VisionFund International, a nonprofit religious corporation established under the laws of California. As of December 31, 2015, OTI owned 100% of this banking activity. After the sale, OTI retained a 20% ownership interest. The estimated fair value of the banking activity of Opportunity DRC is zero and was written down in 2015. After the sale, OTI began to account for its remaining 20% interest in VisionFund DRC (formerly Opportunity DRC) by the equity method. Due to nominal activity in 2017, OTI's investment in VFDRC remains at zero as of December 31, 2017 (note 4).

Effective September 30, 2016, OTI sold 49% of total shares in Opportunity Bank Uganda to MyBucks. OTI accounts for its remaining interest of 36.7% under the equity method. OTI recognized an impairment of its investment in Opportunity Bank Uganda of $1.1 million during the year ended December 31, 2016. OTI's investment in Opportunity Bank Uganda has been included in investments in other institutions on the consolidated statement of financial position (note 4).

On December 15, 2016, OTI sold all of its shares in Opportunity Bank Rwanda to Hope Advancement, Inc., a nonprofit corporation established under the laws of Delaware and owner of 49% of the shares of the bank.

On August 18, 2017, the shareholders of Opportunity Bank Malawi (OIBM) sold all shares to an unrelated third party. The estimated $4.9 million loss on the disposal of OIBM's net assets was included in loss on discontinued operations in 2015. $2.4 million of the estimated loss was reversed in 2017 when the shares of OIBM were sold.

Effective December 29, 2017, OTI sold its ownership interest in Opportunity Romania to an unrelated third party. The $1 million loss on the disposal of Opportunity Romania's net assets was included in loss on discontinued operations in 2017.

On May 25, 2018, the shareholders of Opportunity Bank Colombia and an unrelated third party agreed on a 100% acquisition of Opportunity Bank Colombia shares. The transaction is pending the approval of the Superintendency of Finance of Colombia and is expected to close by December 31, 2018. As of December 31, 2017, OTI estimated a loss on disposal of its banking activities in Colombia of approximately $3.5 million. 0$.9 million of the loss on Opportunity Colombia was attributable to noncontrolling interests. The loss was recognized as a reduction in value of the assets of Opportunity Colombia as of December 31, 2017.

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, 2017 and 2016:

		2017	2016
Carrying amounts of major classes of assets included as part of discontinued operations:			
Cash and cash equivalents	$	22,313,024	30,783,858
Loans receivable, net of allowance		61,349,092	66,169,645
Prepaid expenses and other assets		6,764,296	11,352,425
Building, furniture, and equipment, net of accumulated depreciation		2,969,213	9,189,171
Loss on assets of disposal group classified as held for sale		(4,543,723)	(5,930,750)
Total assets of the disposal group classified as held for sale in the consolidated statement of financial position	$	88,851,902	111,564,349

		2017	2016
Carrying amounts of major classes of liabilities included as part of discontinued operations:			
Accounts payable and accrued liabilities	$	3,313,119	5,581,853
Deposits from customers		55,272,547	71,259,846
Notes payable		18,425,350	18,263,363
Deferred revenue		1,696,457	2,179,275
Total liabilities of the disposal group classified as held for sale in the consolidated statements of financial position	$	78,707,473	97,284,337

The following table represents a reconciliation of the major classes of line items constituting the results of discontinued operations for the years ended December 31, 2017 and 2016:

		2017	2016
Major classes of line items constituting the loss of discontinued operations:			
Revenue:			
Loan interest income	$	29,192,113	43,356,917
Other fees and income		4,676,904	10,787,503
Total revenue		33,869,017	54,144,420
Expenses:			
Interest		7,390,392	8,173,209
Provision for loan losses		2,704,571	4,671,046
Management and general, including income tax expense		26,253,402	45,751,655
Total operating expenses		36,348,365	58,595,910
Nonoperating activities:			
Net loss on assets of disposal group classified as held for sale		(2,370,807)	(1,016,873)
Net loss from cumulative effect of change in ownership		—	(995,422)
Net unrealized gain (loss) on foreign currency translation		23,875	(1,949,869)
Loss from discontinued banking activities		(4,826,280)	(8,413,654)
Net loss attributable to noncontrolling interests		1,128,541	2,163,117
Net loss attributable to OTI	$	(3,697,739)	(6,250,537)

(8) Deposits from Customers

Deposits from customers of continuing operations as of December 31, 2017 and 2016 consist of the following:

		2017	2016
Opportunity Bank Serbia:			
Demand deposits	$	23,776,879	17,780,731
Short-term deposits		16,791,991	23,809,867
Long-term deposits		31,659,098	18,724,163
Total Opportunity Bank Serbia	$	72,227,968	60,314,761

(9) Notes Payable

Notes payable of continuing operations, net of eliminations, as of December 31, 2017 and 2016 include the following:

		2017	2016
Opportunity Bank Serbia:			
Note payable, 5.50% interest, maturity – equal annual installments from March 2018 to March 2020	$	3,603,941	4,148,668
Note payable, 4.5% interest, maturity May 2018		3,603,941	5,185,841
Note payable, 6.5% interest, maturity November 2023		2,402,620	2,074,338
Note payable, 7.5% interest, maturity February 2023		2,402,630	2,074,330
Note payable, 6-month Euribor +5.3% interest, maturity June 2018 to December 2020		5,148,485	5,185,832
Note payable, 6-month Euribor +5.8% interest, maturity June 2018 to December 2018		686,469	1,185,332
Note payable, 3-month Belibor + 5.6% interest, maturity May 2020		6,236,100	—
Note payable, 4% interest, maturity- equal semi-annual installments December 2018 to December 2020		5,141,233	—
Notes payable, 4.3% interest, maturity October 2020		2,402,606	—
Notes payable, 7.5% interest, maturity August 2024		2,402,626	—
Total banking notes payable		34,030,651	19,854,341

(Continued)

		2017	2016
Investing notes payable:			
Note payable, 0% interest, maturity November 2018	$	125,000	250,000
Note payable, 2% interest, maturity April 2017		—	100,000
Note payable, 2% interest, maturity November 2017		—	500,000
Note payable, 2% interest, maturity December 2017		—	800,000
Note payable, 2% interest, maturity April 2018		100,000	100,000
Note payable, 2% interest, maturity December 2018		600,000	500,000
Note payable, 2% interest, maturity April 2019		100,000	100,000
Note payable, 2% interest, maturity July 2019		250,000	250,000
Note payable, 2% interest, maturity August 2019		125,000	125,000
Notes payable, 2% interest, maturity October 2019		600,000	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	—
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		1,500,000	1,750,000
Notes payable, 7% interest, maturity December 2021		13,296,283	11,672,199
Notes payable, 6.75% interest, maturity January 2017		—	1,156,705
Note payable, 5% interest, maturity July 2017		—	16,513
Note payable, 0% interest, maturity- quarterly installments through December 2019		385,708	493,452
Note payable, 0% interest, November 2018		67,000	67,000
Total charitable notes payable		20,348,991	21,180,869
Total notes payable	$	54,379,642	41,035,210

The banking notes payable are the obligations of Opportunity Bank Serbia. These borrowings are nonrecourse to OTI.

Impact Investment Fund notes of $4,975,000 and $5,775,000 were outstanding as of December 31, 2017 and 2016, respectively. Maturities range from one to five years. Annual interest is 2-3%.

On June 4, 2014, OTI entered into € 4,400,000 ($5,270,980 and $4,626,820 as of December 31, 2017 and 2016, respectively, with $0 and $1,156,705 outstanding as of December 31, 2017 and 2016, respectively) loan agreements with the responsAbility Global Microfinance Fund and responsAbility SICAV Microfinance Leaders Fund. The notes bear the interest rate of 6.75% per annum. The principal and interest were paid in four installments beginning January 21, 2015 with the final payments paid on January 23, 2017. The proceeds of the notes were used to purchase the shares of Opportunity Bank Serbia from the noncontrolling interests.

On December 17, 2014, OTI issued ten notes totaling €11,100,000 ($13,296,283 and $11,672,205 as of December 31, 2017 and 2016, respectively) with an annual interest rate of 7%. The notes mature on December 17, 2021. Included were notes issued to Opportunity for €2,462,824 ($2,589,782 as of December 31, 2016) and notes totaling €1,010,346 ($1,210,258 and $1,062,429 as of December 31, 2017 and 2016, respectively) to OTI board members. 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. A portion of the proceeds of the notes were used to assume the rights and obligations of three notes from the European Fund for Southeast Europe S.A. (EFSE) with principal of €6,000,000 ($7,186,800 and $6,309,300 as of December 31, 2017 and 2016, respectively) plus accrued interest. Opportunity Bank Serbia is the issuer of the assigned notes. €2,000,000 of the notes was converted to equity in Opportunity Bank Serbia during 2015. Opportunity sold its note to another note holder in 2016 for face value.

Aggregate maturities of notes payable as of December 31, 2017 are as follows:

2018	$ 9,288,118
2019	6,774,683
2020	15,462,681
2021	15,646,283
2022	—
2023	4,805,251
Thereafter	2,402,626
Total notes payable	$ 54,379,642

(10) Noncontrolling Interest

Below is the activity of the noncontrolling interest for the years ended December 31, 2017 and 2016:

		December 31, 2017			
		Beginning balance	Interest in net gain (loss) of consolidated subsidiaries	Increase (decrease) in share capital	Ending balance
Noncontrolling interest of disposal group classified as held for sale:					
Opportunity Romania	$	277,517	256,640	(534,157)	—
Opportunity Colombia		1,704,914	(1,027,107)	189,332	867,139
Opportunity Bank Ghana		1,503,743	137,139	(8,134)	1,632,748
Opportunity Bank Malawi		(89,380)	(495,213)	584,593	—
Total – disposal group	$	3,396,794	(1,128,541)	231,634	2,499,887

		December 31, 2016			
		Beginning balance	Interest in net gain (loss) of consolidated subsidiaries	Increase (decrease) in share capital	Ending balance
Noncontrolling interest of disposal group classified as held for sale:					
Opportunity Romania	$	286,510	(34,826)	25,833	277,517
Opportunity Colombia		1,263,182	226,315	215,417	1,704,914
Opportunity Bank Mozambique		346,825	(383,354)	36,529	—
Opportunity Bank Ghana		996,422	171,683	335,638	1,503,743
Opportunity Bank Malawi		(307,517)	(434,234)	652,371	(89,380)
Opportunity Bank Rwanda		1,445,256	(1,287,912)	(157,344)	—
Opportunity Kenya		90,243	(54,687)	(35,556)	—
Opportunity Bank Uganda		812,083	(102,176)	(709,907)	—
Opportunity Tanzania		60,284	(263,925)	203,641	—
Total – disposal group	$	4,993,288	(2,163,116)	566,622	3,396,794

(11) 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, 2017	Completion date
Serbia 2003	$ 9,966,025	9,966,025	September 2018

Included in the charitable funds accrued liabilities is $8,000,000, payable to USAID upon the termination of the Serbia 2003 Cooperative Agreement. See note 12(b) for further information.

(12) Commitments and Contingencies

(a) Lease Obligations

Opportunity leases office space in Illinois and Pennsylvania under operating leases. The Pennsylvania office is rented on a month-to-month basis. Rent expense for the years ended December 31, 2017 and 2016 was $499,873 and $470,810, respectively. Future minimum operating lease payments as of December 31, 2017 are as follows:

2018	$ 506,199
2019	596,778
2020	711,989
2021	762,707
2022	195,598
Thereafter	—
Total	$ 2,773,271

The banks lease office space and equipment in the various countries in which they are located under operating leases. Rent expense of continuing operations for the years ended December 31, 2017 and

2016 was $370,116 and $364,671, respectively. Future minimum operating lease payments as of December 31, 2017 are as follows:

		Continuing operations	Disposal group	Total
2018	$	276,670	538,285	814,955
2019		235,207	394,854	630,061
2020		194,353	443,865	638,218
2021		145,468	16,772	162,240
2022		81,891	97,104	178,995
Thereafter		195,154	52,083	247,237
Total	$	1,128,743	1,542,963	2,671,706

(b) Government Grants

The amount of U.S. government grant revenue reflected in the accompanying consolidated financial statements is subject to review and possible adjustment by granting agencies. Amounts recovered from the U.S. government include indirect costs based upon calculated overhead rates, which are subject to possible increases or decreases under audit by the granting agencies. The amount of costs that may be disallowed by the granting agencies cannot be determined at this time. It is the opinion of management that unallowable costs, if any, will be insignificant.

Certain of the grant agreements with the U.S. government have fiscal matching requirements to satisfy the conditions of the grant. Opportunity contractually passes those fiscal matching requirements through to its nongovernmental organizational members. Opportunity management believes its nongovernmental organizational members have satisfied those matching requirements.

On August 29, 2013, Opportunity and USAID agreed to an amendment of the 2003 Serbia Cooperative agreement, which extended the termination date from September 27, 2013 to September 27, 2018 or when special provisions are met, whichever is sooner. The agreement provides required steps leading to the final disposition of Opportunity’s requirement to return the $8,000,000 capital contribution or accomplishment of specific milestones, which will satisfy Opportunity’s requirement for repayment of the $8,000,000, which has been accrued as of December 31, 2017.

(c) Reserve and Regulatory Capital Requirements

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

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, 2017 and 2016, Opportunity Bank Ghana met these regulatory requirements.

The Reserve Bank of Malawi requires Opportunity Bank Malawi to maintain a 1% general provision against risk assets and a minimum ratio of 10% for core and 15% of total capital to risk-weighted assets, respectively. As of December 31, 2016, Opportunity Bank Malawi met these regulatory requirements.

Opportunity Bank Serbia is required to maintain a minimum capital adequacy ratio of 12% as established by the National Bank of Serbia. 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 counter-value ($11,979,500 and $10,536,000 as of December 31, 2017 and 2016, respectively). As of December 31, 2017 and 2016, Opportunity Bank Serbia met these regulatory requirements.

The Superintendency of Finance of Colombia (SFC) requires Opportunity Colombia to maintain technical equity above 9% of the assets in local and foreign currency weighted by risk level, pursuant to what is indicated in Article 2 of Decree 1720 of 2001. As of December 31, 2017 and 2016, Opportunity Colombia met these regulatory requirements. In accordance with a September 13, 2017 SFC Administrative order, Opportunity Colombia is required to maintain a solvency ratio of 12% and a liquidity risk indicator 30 days at a minimum of 115%. Opportunity Colombia met these requirements as of December 31, 2017.

(13) Employee Benefit Plan

All 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. Benefit expense representing Opportunity's discretionary contribution to the plan amounted to $362,524 and $378,985 for the years ended December 31, 2017 and 2016, respectively, and is included in salaries and benefits on the consolidated statement of functional expenses.

(14) Related-Party Transactions

Included in program services in the consolidated statement of activities are grant expenses of $12,463,660 and $10,965,060 in 2017 and 2016, respectively, which relate to disbursements made by Opportunity to its affiliated member organizations.

During the years ended December 31, 2017 and 2016, OTI paid Opportunity, Inc. investment advisory fees of $0 and $827,849, respectively. The fees paid to Opportunity, Inc. are included in professional fees in program services on the statement of functional expenses.

Notes payable totaling $1,210,258 and $1,062,429 as of December 31, 2017 and 2016, respectively, were due to board members of Opportunity. Interest paid to related parties was $84,133 and $78,763 in 2017 and 2016, respectively.

Pledges for future donations of $256,750 and $696,500 were due from board members of Opportunity as of December 31, 2017 and 2016, respectively.

(Continued)

(15) 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. As of December 31, 2017, OTI had two swap agreements in place to mitigate the effects of foreign currency risk on local currency notes receivable issued to two microfinance institutions.

(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. A portion of loans are short-term in nature; about 16.6% and 19.1% are due within one year as of December 31, 2017 and 2016, respectively.

(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 $24.4 million and $20.4 million as of December 31, 2017 and 2016, respectively, which is approximately 17% and 19% of total assets of the combined banks in 2017 and 2016, respectively.

(Continued)

(16) Subsequent Events

(a) Investment in Other Institutions

During March 2018, the shareholders of BFSE Holding B.V. sold all shares to an unrelated third party. OTI's share of the net proceeds was $710,293.

(b) Amendment to Sale Purchase Agreement

Effective February 1, 2018, Opportunity, OTI, Opportunity, Inc. and MyBucks agreed to amend the sale purchase agreement of October 27, 2015 (SPA) (note 8). The amendment assigned all rights and obligations of Opportunity, Inc. to Opportunity. Opportunity assumed the responsibility for the warranties in connection with the sale of Opportunity Kenya, Opportunity Tanzania, Opportunity Mozambique and Opportunity Bank Uganda for the consideration of $2,250,000 of MyBucks shares. The amendment forms the full and final settlement of any claims, rights, and liabilities arising out of the SPA. On March 1, 2018 Opportunity, Inc. transferred MyBucks shares with a market value of $2,283,469 to Opportunity.

(c) Sale Purchase Agreement

On May 25, 2018, the shareholders of Opportunity Bank Colombia and an unrelated third party agreed on a 100% acquisition of Opportunity Bank Colombia shares. The transaction is pending the approval of the Superintendency of Finance of Colombia and is expected to close by December 31, 2018.

(d) Reserve and regulatory Capital Requirements

As of August 8, 2018, OTI's foreign for profit microfinance companies in Ghana, Colombia, and Serbia met the regulatory requirements in their respective countries.

(e) Notes Payable

As of June 30, 2018, Opportunity Bank Serbia repaid $6 million of principal in accordance with the terms of the loan agreements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidating Schedule of Statements of Financial Position – Banking Operations Only

Years ended December 31, 2017 and 2016

December 31, 2017		Continuing operations: Opportunity Bank Serbia	Eliminations	Total continuing operations
Banking assets:				
Cash and cash equivalents	$	24,423,288	—	24,423,288
Loans receivable, net of allowance		112,908,718	—	112,908,718
Prepaid expenses and other assets		3,399,598	—	3,399,598
Building, furniture, and equipment, net of accumulated depreciation		3,376,286	—	3,376,286
Loss on assets of disposal group classified as held for sale		—	—	—
Total banking assets	$	144,107,890	—	144,107,890
Banking liabilities:				
Accounts payable and accrued liabilities	$	3,739,593	(170,453)	3,569,140
Deposits from customers		72,227,968	—	72,227,968
Notes payable		38,835,912	(4,805,261)	34,030,651
Deferred revenue		2,541,235	—	2,541,235
Total banking liabilities		117,344,708	(4,975,714)	112,368,994
Unrestricted net assets – banking		26,763,182	4,975,714	31,738,896
Total liabilities and net assets	$	144,107,890	—	144,107,890

December 31, 2016		Opportunity Bank Serbia	Eliminations	Total continuing operations
Banking assets:				
Cash and cash equivalents	$	20,465,021	—	20,465,021
Loan portfolio, net of allowance		83,909,658	—	83,909,658
Prepaid expenses and other assets		2,256,257	—	2,256,257
Building, furniture, and equipment, net of accumulated depreciation		2,782,113	—	2,782,113
Loss on assets of disposal group classified as held for sale		—	—	—
Total banking assets	$	109,413,049	—	109,413,049
Banking liabilities:				
Accounts payable and accrued liabilities	$	3,122,431	(199,324)	2,923,107
Deposits from customers		61,512,368	(1,197,607)	60,314,761
Notes payable		24,003,017	(4,148,676)	19,854,341
Deferred revenue		1,583,820	—	1,583,820
Total banking liabilities		90,221,636	(5,545,607)	84,676,029
Unrestricted net assets (deficit) – banking		19,191,413	5,545,607	24,737,020
Total liabilities and net assets	$	109,413,049	—	109,413,049

See accompanying independent auditors’ report.

Discontinued operations						
Opportunity Romania	**Opportunity Colombia**	**Opportunity Bank Ghana**	**Opportunity Bank Malawi**	**Eliminations**	**Total discontinued operations**	**2017 Banks consolidated**
—	3,524,846	18,788,178	—	—	22,313,024	46,736,312
—	39,679,498	21,669,594	—	—	61,349,092	174,257,810
—	1,715,860	5,048,436	—	—	6,764,296	10,163,894
—	240,641	2,728,572	—	—	2,969,213	6,345,499
—	(3,493,814)	(1,049,909)	—	—	(4,543,723)	(4,543,723)
—	41,667,031	47,184,871	—	—	88,851,902	232,959,792
—	1,053,955	2,259,164	—	—	3,313,119	6,882,259
—	22,692,499	32,580,048	—	—	55,272,547	127,500,515
—	14,602,022	3,823,328	—	—	18,425,350	52,456,001
—	—	1,696,457	—	—	1,696,457	4,237,692
—	38,348,476	40,358,997	—	—	78,707,473	191,076,467
—	3,318,555	6,825,874	—	—	10,144,429	41,883,325
—	41,667,031	47,184,871	—	—	88,851,902	232,959,792

Opportunity Romania	**Opportunity Colombia**	**Opportunity Bank Ghana**	**Opportunity Bank Malawi**	**Eliminations**	**Total discontinued operations**	**2016 Banks consolidated**
633,596	2,221,384	18,534,506	9,394,372	—	30,783,858	51,248,879
5,540,976	35,081,561	20,027,401	5,519,707	—	66,169,645	150,079,303
57,510	1,194,938	4,643,571	5,456,406	—	11,352,425	13,608,682
41,693	277,499	3,172,880	5,697,099	—	9,189,171	11,971,284
—	—	(1,049,909)	(4,880,841)	—	(5,930,750)	(5,930,750)
6,273,775	38,775,382	45,328,449	21,186,743	—	111,564,349	220,977,398
1,232,740	865,397	2,677,148	806,568	—	5,581,853	8,504,960
—	20,839,555	29,779,385	20,640,906	—	71,259,846	131,574,607
4,164,052	10,958,061	4,687,875	—	(1,546,625)	18,263,363	38,117,704
49,644	—	1,931,490	198,141	—	2,179,275	3,763,095
5,446,436	32,663,013	39,075,898	21,645,615	(1,546,625)	97,284,337	181,960,366
827,339	6,112,369	6,252,551	(458,872)	1,546,625	14,280,012	39,017,032
6,273,775	38,775,382	45,328,449	21,186,743	—	111,564,349	220,977,398

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidating Schedule of Statements of Activities – Banking Operations Only

Years ended December 31, 2017 and 2016

	Continuing operations		
December 31, 2017	**Opportunity Bank Serbia**	**Eliminations**	**Total continuing operations**
Operating activities:			
Revenue:			
Loan interest income	$ 21,226,434	—	21,226,434
Other fees and income	578,642	—	578,642
Total revenue	21,805,076	—	21,805,076
Expenses:			
Interest on notes payable	2,072,511	(604,524)	1,467,987
Interest on client deposits	2,573,535	—	2,573,535
Provisions on loan losses	1,200,786	—	1,200,786
Management and general	11,927,722	(1,037,605)	10,890,117
Total operating expenses before taxes	17,774,554	(1,642,129)	16,132,425
Income tax expense (benefit)	724,953	—	724,953
Increase (decrease) in operating net assets	3,305,569	1,642,129	4,947,698
Nonoperating activities:			
Gain (loss) on assets of disposal group classified as held for sale	—	—	—
Unrealized gain (loss) on foreign currency translation	4,266,199	84,038	4,350,237
Net loss (gain) attributable to noncontrolling interests	—	—	—
Total nonoperating activities	4,266,199	84,038	4,350,237
Increase (decrease) in net assets	$ 7,571,768	1,726,167	9,297,935

December 31, 2016	**Opportunity Bank Serbia**	**Eliminations**	**Total continuing operations**
Operating activities:			
Revenue:			
Loan interest income	$ 18,368,235	—	18,368,235
Other fees and income	491,256	—	491,256
Total revenue	18,859,491	—	18,859,491
Expenses:			
Interest on notes payable	1,639,161	(577,700)	1,061,461
Interest on client deposits	2,744,838	—	2,744,838
Provisions on loan losses	1,119,132	—	1,119,132
Management and general	9,875,826	—	9,875,826
Total operating expenses before taxes	15,378,957	(577,700)	14,801,257
Income tax expense (benefit)	447,633	—	447,633
Increase (decrease) in operating net assets	3,032,901	577,700	3,610,601
Nonoperating activities:			
Unrealized gain (loss) on foreign currency translation	(1,176,046)	(97,780)	(1,273,826)
Net loss attributable to noncontrolling interests	—	—	—
Total nonoperating activities	(1,176,046)	(97,780)	(1,273,826)
Increase (decrease) in net assets	$ 1,856,855	479,920	2,336,775

See accompanying independent auditors' report.

Discontinued operations												
Opportunity Romania	**Opportunity Colombia**	**Opportunity Bank Mozambique**	**Opportunity Bank Ghana**	**Opportunity Bank Malawi**	**Opportunity Bank Rwanda**	**Opportunity Kenya**	**Opportunity Bank Uganda**	**Opportunity Tanzania**	**Opportunity DRC**	**Eliminations**	**Total discontinued operations**	**2017 Banks consolidated**
979,654	8,951,772	—	17,143,816	2,116,871	—	—	—	—	—	—	29,192,113	50,418,547
1,207,572	1,073,252	—	1,306,066	2,158,088	—	—	—	—	—	(1,068,074)	4,676,904	5,255,546
2,187,226	10,025,024	—	18,449,882	4,274,959	—	—	—	—	—	(1,068,074)	33,869,017	55,674,093
115,442	1,413,982	—	906,270	43,822	—	—	—	—	—	(126,186)	2,353,330	3,821,317
—	2,373,363	—	2,279,524	384,175	—	—	—	—	—	—	5,037,062	7,610,597
159,197	1,362,969	—	939,260	243,145	—	—	—	—	—	—	2,704,571	3,905,357
1,264,181	5,534,704	—	12,878,230	6,167,842	—	—	—	—	—	—	25,844,957	36,735,074
1,538,820	10,685,018	—	17,003,284	6,838,984	—	—	—	—	—	(126,186)	35,939,920	52,072,345
—	10,019	—	386,834	11,592	—	—	—	—	—	—	408,445	1,133,398
648,406	(670,013)	—	1,059,764	(2,575,617)	—	—	—	—	—	(941,888)	(2,479,348)	2,468,350
(1,059,628)	(3,493,814)	—	—	2,416,435	—	—	—	—	—	—	(2,137,007)	(2,137,007)
117,684	233,071	—	(486,441)	33,455	—	—	—	—	—	126,106	23,875	4,374,112
—	—	—	—	—	—	—	—	—	—	1,128,541	1,128,541	1,128,541
(941,944)	(3,260,743)	—	(486,441)	2,449,890	—	—	—	—	—	1,254,647	(984,591)	3,365,646
(293,538)	(3,930,756)	—	573,323	(125,727)	—	—	—	—	—	312,759	(3,463,939)	5,833,996

Opportunity Romania	**Opportunity Colombia**	**Opportunity Bank Mozambique**	**Opportunity Bank Ghana**	**Opportunity Bank Malawi**	**Opportunity Bank Rwanda**	**Opportunity Kenya**	**Opportunity Bank Uganda**	**Opportunity Tanzania**	**Opportunity DRC**	**Eliminations**	**Total discontinued operations**	**2016 Banks consolidated**
1,906,892	6,919,021	1,513,766	17,722,313	4,937,857	4,180,589	764,837	3,901,590	463,631	1,046,421	—	43,356,917	61,725,152
18,426	972,363	378,626	832,100	3,252,551	3,097,795	99,179	1,564,517	184,570	387,376	—	10,787,503	11,278,759
1,925,318	7,891,384	1,892,392	18,554,413	8,190,408	7,278,384	864,016	5,466,107	648,201	1,433,797	—	54,144,420	73,003,911
328,630	995,273	47,011	1,059,097	101,977	181,413	154,829	210,315	38,112	—	(152,331)	2,964,326	4,025,787
—	1,496,891	117,809	1,765,426	993,615	493,755	—	329,094	—	12,293	—	5,208,883	7,953,721
122,361	114,074	145,561	610,630	1,031,240	1,356,800	268,270	518,270	203,711	300,129	—	4,671,046	5,790,178
1,547,205	4,833,255	2,073,055	13,014,525	9,450,735	7,222,843	595,204	4,857,594	958,971	1,745,632	(410,434)	45,888,585	55,764,411
1,998,196	7,439,493	2,383,436	16,449,678	11,577,567	9,254,811	1,018,303	5,915,273	1,200,794	2,058,054	(562,765)	58,732,840	73,534,097
—	101,549	—	706,100	(1,365,745)	354,445	—	64,977	1,744	—	—	(136,930)	310,703
(72,878)	350,342	(491,044)	1,398,635	(2,021,414)	(2,330,872)	(154,287)	(514,143)	(554,337)	(624,257)	562,765	(4,451,490)	(840,889)
(30,947)	460,427	(647,214)	(684,778)	(207,931)	(115,629)	(348,812)	(199,446)	(257,394)	78,568	3,287	(1,949,869)	(3,223,695)
—	—	—	—	—	—	—	—	—	—	2,163,117	2,163,117	2,163,117
(30,947)	460,427	(647,214)	(684,778)	(207,931)	(115,629)	(348,812)	(199,446)	(257,394)	78,568	2,166,404	213,248	(1,060,578)
(103,825)	810,769	(1,138,258)	713,857	(2,229,345)	(2,446,501)	(503,099)	(713,589)	(811,731)	(545,689)	2,729,169	(4,238,242)	(1,901,467)