

**OPPORTUNITY KNOCKS INCORPORATED
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012**

OPPORTUNITY KNOCKS INCORPORATED
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Opportunity Knocks Incorporated

We have audited the accompanying statement of financial position of Opportunity Knocks Incorporated (an Illinois not-for-profit corporation) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Opportunity Knocks Incorporated's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunity Knocks Incorporated as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Knutte & Associates, P.C.

OPPORTUNITY KNOCKS INCORPORATED
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 150,293
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$4,855)	37,725
Prepaid Expenses	3,703

TOTAL CURRENT ASSETS

191,721

FIXED ASSETS

Vehicles	57,631
Leasehold Improvements	16,929
Furniture and Equipment	13,454
	<u>88,014</u>
Less – Accumulated Depreciation and Amortization	21,779

TOTAL FIXED ASSETS

66,235

TOTAL ASSETS

\$ 257,956

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 26,428
Accrued Payroll	2,223
Accrued Expenses	6,188
Deferred Rent	4,714

TOTAL CURRENT LIABILITIES

39,553

TOTAL LIABILITIES

39,553

NET ASSETS

Unrestricted	215,403
Temporarily Restricted	3,000

TOTAL NET ASSETS

218,403

TOTAL LIABILITIES AND NET ASSETS

\$ 257,956

See Accompanying Notes To The Financial Statements.

OPPORTUNITY KNOCKS INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
In-Kind Donations	\$ 114,124	\$ 0	\$ 0	\$ 114,124
Special Events (Net of Costs of Direct Benefits to Donors of \$189,994)	52,598	35,196	0	87,794
Program Income	62,783	0	0	62,783
Grants and Contributions	34,989	4,500	0	39,489
Interest Income	310	0	0	310
Net Assets Released from Restrictions	36,696	(36,696)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>301,500</u>	<u>3,000</u>	<u>0</u>	<u>304,500</u>
FUNCTIONAL EXPENSES				
Program Services	191,476	0	0	191,476
Management and General	57,103	0	0	57,103
Fundraising	9,437	0	0	9,437
TOTAL FUNCTIONAL EXPENSES	<u>258,016</u>	<u>0</u>	<u>0</u>	<u>258,016</u>
CHANGE IN NET ASSETS	43,484	3,000	0	46,484
NET ASSETS,				
BEGINNING OF YEAR	<u>171,919</u>	<u>0</u>	<u>0</u>	<u>171,919</u>
END OF YEAR	<u>\$ 215,403</u>	<u>\$ 3,000</u>	<u>\$ 0</u>	<u>\$ 218,403</u>

See Accompanying Notes To The Financial Statements.

**OPPORTUNITY KNOCKS INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Advertising and Promotion	\$ 448	\$ 2,717	\$ 0	\$ 3,165
Automobile Expense	1,512	0	0	1,512
Bad Debt Expense	0	4,855	0	4,855
Board Development	0	3,040	0	3,040
Contributions and Donations	810	0	0	810
Depreciation and Amortization	8,804	978	0	9,782
Employee Benefits	5,776	0	0	5,776
Fees	0	470	0	470
Insurance Expense	9,192	172	0	9,364
License and Fees	37	570	0	607
Occupancy	12,478	1,843	0	14,321
Office Expense	1,604	1,515	0	3,119
Payroll Expense	109,067	13,536	0	122,603
Payroll Tax Expense	12,378	1,376	0	13,754
Printing and Copying	2,910	1,351	1,505	5,766
Professional Services	0	22,972	7,932	30,904
Repairs and Maintenance	312	0	0	312
Staff Development	1,751	1,081	0	2,832
Supplies	19,955	0	0	19,955
Travel	1,629	627	0	2,256
Volunteer Expenses	2,813	0	0	2,813
TOTAL FUNCTIONAL EXPENSES	\$ 191,476	\$ 57,103	\$ 9,437	\$ 258,016

See Accompanying Notes To The Financial Statements.

**OPPORTUNITY KNOCKS INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Grants, Donations and Other Sources	\$ 340,010
Interest Received	310
Paid to Suppliers and Employees	(284,278)
Interest Paid	0
Income Taxes Paid	0
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NET CASH PROVIDED BY OPERATING ACTIVITIES	56,042
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for the Purchase of Fixed Assets	(52,979)
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NET CASH USED IN INVESTING ACTIVITIES	(52,979)
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NET INCREASE IN CASH AND CASH EQUIVALENTS	3,063
CASH AND CASH EQUIVALENTS,	
BEGINNING OF YEAR	<hr/> 147,230
END OF YEAR	<hr/> \$ 150,293 <hr/>

See Accompanying Notes To The Financial Statements.

**OPPORTUNITY KNOCKS INCORPORATED
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES**

Change in Net Assets	<u>\$ 46,484</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	9,782
Allowance for Doubtful Accounts	4,855
Changes in Certain Assets and Liabilities:	
Accounts Receivable	(40,050)
Prepaid Expenses	6,928
Accounts Payable	24,579
Accrued Payroll	491
Accrued Expenses	6,188
Deferred Rent	<u>(3,215)</u>
Total Adjustments	<u>9,558</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 56,042</u></u>

See Accompanying Notes To The Financial Statements.

**OPPORTUNITY KNOCKS INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Nature of Organization

Opportunity Knocks Incorporated (the Organization) is an Illinois not-for-profit corporation formed for the purpose of providing opportunities and resources for individuals with developmental disabilities so they may pursue their educational, occupational, and social interests. The Organization was formed in March 2009.

B) Basis of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded when incurred.

C) Basis of Presentation

The Organization has adopted *Accounting Standards Codification (ASC) 958, Not For Profit Entities*. Under ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

D) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

OPPORTUNITY KNOCKS INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Accounting Policies (Continued)

Allowance for Doubtful Accounts - Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from programs and grants. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. The allowance for doubtful accounts at June 30, 2012 is \$4,855.

Fixed Assets - Purchased furniture, equipment and vehicles are recorded at cost, while donated fixed assets are recorded at their estimated fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense is \$4,945 for the year ended June 30, 2012. Leasehold improvements are stated at cost. Amortization is computed on a straight-line basis over various useful lives. Amortization expense for the year ended June 30, 2012 is \$4,837.

Donated Goods - Donated goods are recognized as a contribution at their estimated fair value when donated to the Organization. During the year ended June 30, 2012, the Organization received donated items for the Organization's several auctions valued at \$67,674. This amount is included as an in-kind donation revenue and special event expense on the statement of activities.

Donated Services - Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For the year ended June 30, 2012, the Organization received donated payroll services and accounting assistance valued at \$10,450. This amount is included as an in-kind donation revenue and management and general expense on the statement of activities. In addition, the Organization received donated finance, communications, and development assistance valued at \$36,000. This amount is included as an in-kind donation revenue and special event, fundraising, and management and general expense on the statement of activities. The Organization also receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. No amounts have been recognized for these services in the accompanying statement of activities because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

**OPPORTUNITY KNOCKS INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Accounting Policies (Continued)

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements.

Use of Estimates - The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RELATED PARTY TRANSACTIONS

Goodcity NFP was the fiscal agent for Opportunity Knocks Incorporated until June 30, 2011, when the relationship was dissolved. As of July 1, 2011, Opportunity Knocks Incorporated assumed its own fiscal responsibilities.

NOTE 3 - OPERATING LEASE

The Organization leases its facility under a three and a half year operating lease expiring in June 2013. Monthly rent under this lease starts at \$1,000, with a \$250 annual increase from January 2011 to December 2011 and a \$250 increase from January 2012 to June 2013. Deferred rent liability in the accompanying balance sheet results from the straight-line recognition of rent expense over the term of the lease agreement. For the year ended June 30, 2012, rent expense is \$13,286.

Future minimum rental payment under the terms of the lease is as follows:

For the Year Ended June 30, 2013	<u>\$ 18,000</u>
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**OPPORTUNITY KNOCKS INCORPORATED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 4 - NET ASSET RESTRICTIONS

Temporarily restricted net assets are available for the following purposes at June 30, 2012:

Temporarily Restricted Net Assets	
Parent/Sibling Support Group	\$ 3,000
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Total Temporarily Restricted Net Assets	<u>\$ 3,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the year ended June 30, 2012:

Purpose Restriction Accomplished:	
Parent/Sibling Support Group	\$ 1,500
Bus Purchase	35,196
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Total Restrictions Released	<u>\$ 36,696</u>

NOTE 5 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Organization files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for the years ended June 30, 2009 and prior.

The Organization includes penalties and interest assessed by taxing authorities in its operating expenses. These total to \$0 for the year ended June 30, 2012.

NOTE 6 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is January 4, 2013, the date the financial statements were available to be issued.