

OAI, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
(including OMB Circular A-133 reports)**

**For the Year Ended
June 30, 2014**

OAI, Inc.
Annual Financial Report

Table of Contents

SECTION I

Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13
Supplementary Information	
Schedule of Expenses by Program	14

SECTION II

Reports Required by OMB A-133	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards.....	16
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	17 - 18
Independent Auditor's Report on Compliance with Requirements For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133.....	19 - 20
Schedule of Findings and Questioned Costs	21 - 22



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
OAI, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of OAI, Inc. (OAI) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior-year summarized comparative information has been derived from OAI's 2013 financial statements, and, in our report dated December 6, 2013, we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of OAI, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued a report dated December 1, 2014 on our consideration of OAI, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering OAI, Inc.'s internal control over financial reporting and compliance.

Desmond & Ahern, Ltd

December 1, 2014
Chicago, IL

OAI, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2014 (with comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 553,920	\$ 549,594
Government contributions receivable	394,504	689,242
Other receivables	55,985	10,008
Prepaid expenses	43,561	43,042
Total current assets	<u>1,047,970</u>	<u>1,291,886</u>
Net property and equipment	62,048	45,541
Security deposits	19,250	19,250
Total Assets	<u><u>\$ 1,129,268</u></u>	<u><u>\$ 1,356,677</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 160,006	\$ 404,031
Accrued payroll and related taxes	63,813	35,523
Refundable advances	-	64,488
Total current liabilities	<u>223,819</u>	<u>504,042</u>
Net Assets		
Unrestricted	669,883	641,550
Temporarily restricted	235,566	211,085
Total net assets	<u>905,449</u>	<u>852,635</u>
Total Liabilities and Net Assets	<u><u>\$ 1,129,268</u></u>	<u><u>\$ 1,356,677</u></u>

See independent auditor's report and notes to financial statements.

OAI, INC.**STATEMENT OF ACTIVITIES****For the Year Ended June 30, 2014 (with comparative totals for 2013)**

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
<u>Public Support and Revenue</u>				
Government funding	\$ 2,098,971	\$ -	\$ 2,098,971	\$ 2,984,415
Fees for service	34,470	-	34,470	35,625
Contributions	25,209	83,000	108,209	230,356
Program income	4,348	-	4,348	14,700
Rental income	11,500	-	11,500	-
Interest income	1,697	-	1,697	2,263
Donated software - capitalized	49,030	-	49,030	-
Donated services	-	-	-	30,554
Gain on disposition of assets	50	-	50	760
Net assets released from restrictions - satisfaction of purpose restriction	58,519	(58,519)	-	-
Total Public Support and Revenue	<u>2,283,794</u>	<u>24,481</u>	<u>2,308,275</u>	<u>3,298,673</u>
<u>Expenses</u>				
Program Services				
Pre-Employment	905,227	-	905,227	1,162,303
Business and Worker Training	738,078	-	738,078	873,668
OAI Chicago Southland	319,754	-	319,754	1,033,968
Total program services	<u>1,963,059</u>	<u>-</u>	<u>1,963,059</u>	<u>3,069,939</u>
Management and general	292,402	-	292,402	311,548
Fundraising	-	-	-	16,775
Total Expenses	<u>2,255,461</u>	<u>-</u>	<u>2,255,461</u>	<u>3,398,262</u>
Change in net assets	28,333	24,481	52,814	(99,589)
Net assets, beginning of year	<u>641,550</u>	<u>211,085</u>	<u>852,635</u>	<u>952,224</u>
Net assets, end of year	<u>\$ 669,883</u>	<u>\$ 235,566</u>	<u>\$ 905,449</u>	<u>\$ 852,635</u>

See independent auditor's report and notes to financial statements.

OAI, INC.**STATEMENT OF FUNCTIONAL EXPENSES****For the Year Ended June 30, 2014 (with comparative totals for 2013)**

	Program Services	Management and General	2014 Total	2013 Total
<u>Functional Expenses</u>				
Salaries	\$ 755,217	\$ 147,945	\$ 903,162	\$ 1,149,165
Fringe benefits and related taxes	245,625	48,657	294,282	341,019
Total salaries and related expenses	1,000,842	196,602	1,197,444	1,490,184
Sub-recipients	78,472	-	78,472	87,191
Contract services	186,331	20,399	206,730	459,609
Contractual Trainers	281,331	7	281,338	541,017
Professional fees	535	17,746	18,281	20,519
Supporting services	40,350	1	40,351	111,407
Donated services	-	-	-	30,554
Client services	22,872	-	22,872	182,862
Transportation expense	38,554	204	38,758	57,611
Seminar fees	1,179	-	1,179	4,032
Meeting expense	2,292	339	2,631	3,518
Occupancy, other than depreciation	222,729	40,301	263,030	267,535
Telephone	5,557	1,341	6,898	6,381
Supplies	22,840	1,802	24,642	52,120
Computer expense	1,793	935	2,728	8,294
Equipment purchases under \$5,000	6,556	94	6,650	5,828
Equipment rental, repair and maintenance	7,886	2,281	10,167	11,823
Insurance	5,657	3,146	8,803	6,712
Postage and shipping	1,273	280	1,553	3,082
Dues and subscriptions	3,401	250	3,651	5,269
Miscellaneous	-	3,735	3,735	3,329
Total expenses before depreciation	1,930,450	289,463	2,219,913	3,358,877
Depreciation	32,609	2,939	35,548	39,385
Total Expenses	\$ 1,963,059	\$ 292,402	\$ 2,255,461	\$ 3,398,262

See independent auditor's report and notes to financial statements.

OAI, INC.**STATEMENT OF CASH FLOWS****For the Year Ended June 30, 2014 (with comparative totals for 2013)**

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 52,814	\$ (99,589)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation of property and equipment	35,548	39,385
Donated software	(49,030)	-
Decrease (increase) in assets		
Government contributions receivable	294,738	(114,574)
Other receivables	(45,977)	9,930
Prepaid expenses and deposits	(519)	8,623
(Decrease) increase in liabilities		
Accounts payable and payroll accrual	(215,735)	76,568
Refundable advances	(64,488)	8,630
Net cash provided (used) by operating activities	<u>7,351</u>	<u>(71,027)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	<u>(3,025)</u>	<u>(2,336)</u>
Net cash used by investing activities	<u>(3,025)</u>	<u>(2,336)</u>
Net increase (decrease) in cash and cash equivalents	4,326	(73,363)
Cash and cash equivalents, beginning of year	<u>549,594</u>	<u>622,957</u>
Cash and cash equivalents, end of year	<u><u>\$ 553,920</u></u>	<u><u>\$ 549,594</u></u>

See independent auditor's report and notes to financial statements.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

OAI, Inc. (OAI) is a not-for-profit Illinois corporation exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, and is not considered a private foundation. The OAI has been serving the Chicago metropolitan area with over 25 years of experience in comprehensive workforce development. The mission of OAI is to create a community environment in which all people who desire to do so can access education, training, and employment that will allow them to sustain and enjoy safe, secure, and fulfilling lives.

OAI serves people with significant barriers to obtaining and retaining rewarding employment. Clients include individuals making the transition from welfare to work, at-risk youth, Empowerment Zone (EZ) residents, displaced workers, those in need of additional skills, and anyone with earnings below the poverty line.

OAI programs and services are currently organized into three divisions:

Pre-Employment Division

The Pre-Employment division provides job training, placement and retention services to residents facing multiple challenges in Dallas, Kansas City, and Chicago.

Business and Worker Training Division

The Business and Worker Training division provides worker health & safety training, in compliance with OSHA CFR 1910.120, to emergency first responders, medical first receivers and industry workers who are exposed to hazardous materials. In addition, the division offers customized, cost-effective on-site workforce skills and safety training programs for low-wage and limited English proficient workers employed in various industries, including the Manufacturing, Hospitality and Medical sectors.

OAI Chicago Southland Division

The OAI Chicago Southland division provides job training, placement and retention services to residents facing multiple challenges in the Chicago Southland region.

These three divisions work closely together in the implementation of a nationally recognized Environmental Health and Safety Program. Funding is provided by various federal, state, local, foundation, and fee-for-service sources.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting; consequently, revenues are recognized when earned and expenses when the obligation is incurred.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Basis of Presentation

OAI reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

Income Tax Status

OAI, Inc. was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The OAI qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of OAI and the nature in which it operates is described above. The OAI continues to operate in compliance with its tax exempt purpose.

OAI's annual information and income tax returns filed with the federal and state governments are subject to examination for the years ending June 30, 2011, 2012, 2013 and 2014.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts and bank collateralized accounts. At June 30, 2014, OAI's cash accounts did not exceed federally insured limits.

For purposes of reporting cash flows, OAI considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Expenditures for property and equipment, and items which substantially increase the useful lives of existing assets, are capitalized at cost. OAI provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Furniture and equipment	3 - 5 years
Computer equipment	3 years
Leasehold improvements	10 years

Support and Revenue

OAI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. If a restriction is fulfilled in the same time period in which the contribution is received, OAI reports the support as unrestricted.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

OAI reports gifts of land, buildings, equipment or other long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, OAI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. For the year ending June 30, 2014, OAI received \$49,030 of donated software which was capitalized and is being depreciated over its estimated useful life.

Government Contributions

Support funded by government contracts, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services is met. Revenue is therefore recognized as earned as the condition of eligible expenses is incurred. These expenditures are subject to audit and acceptance by the granting organization and, as a result of such audit, adjustments could be required.

Donated Services

Contributed services are recognized at fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2014, OAI did not receive any donated services.

In-Kind Contributions

In addition to receiving cash contributions, OAI receives in-kind contributions from various donors. In accordance with generally accepted accounting principles, OAI records the estimated fair value of in-kind donations as either an asset or expense in its financial statements, and similarly records corresponding donations by a like amount. For the year ended June 30, 2014, OAI received an in-kind contribution of software valued at \$49,030 which was capitalized and is being depreciated over its estimated useful life.

Certain Vulnerabilities and Concentrations

During the year ended June 30, 2014, OAI received approximately 91% of its funding from various government agencies. Following is a breakdown by funding agency of the portion of OAI's revenue from government agencies for the year ending June 30, 2014 and the grants receivable at June 30, 2014:

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

	% of Total Government Revenue	Government Contributions Receivable
National Institute of Environmental Health Sciences	64%	50%
U.S. Department of Labor	13%	21%
U.S. Environmental Protection Agency	6%	2%
City of Chicago- Department of Transportation	6%	16%
City of Chicago- Department of Community Development	5%	0%
Illinois Department of Commerce and Economic Opportunity	5%	9%
Other government sources	1%	2%
	<u>100%</u>	<u>100%</u>

Any change in these funding sources may cause disruption in program activities.

Comparative Information

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with OAI's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 are available for the following programs:

Hazardous Worker Training	\$ 99,815
Minority Worker Training	72,252
Job Training and Economic Development	39,871
Pathways for Southland Youthbuild Graduates	16,420
Pre-employment Education and Training Programs	7,208
	<u>\$ 235,566</u>

Note 3 – Conditional Promises to Give

OAI received the following conditional promises to give that are not recognized as assets in the Statement of Financial Position as of June 30, 2014:

	<u>Term</u>	<u>Conditional Promise Amount</u>	<u>Conditions Met as of 6/30/2014</u>	<u>Conditional Promises Available</u>
Conditional Promises to Give Upon Expenditure of Funds:				
National Institute of Environmental Health Services				
Worker Health and Safety Cooperative Agreement	8/17/13 to 7/31/14	\$1,401,524	\$1,248,568	\$ 152,956
U.S. Environment Protection Agency				
Brownfields Job Training (Greencorp)	10/1/11 to 9/30/14	300,000	279,164	20,836
U.S. Environment Protection Agency				
Brownfields Job Training (Greencorp)	10/1/13 to 9/30/16	200,000	25,800	174,200
Illinois Department of Natural Resources				
Great Lakes Program	9/1/13 to 5/31/15	40,000	8,190	31,810
Chicago Community Trust				
Social Innovation Fund	4/1/14 to 3/31/15	140,000	2,028	137,972

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 – Conditional Promises to Give (cont.)

	<u>Term</u>	<u>Conditional Promise Amount</u>	<u>Conditions Met as of 6/30/2014</u>	<u>Conditional Promises Available</u>
Conditional Promises to Give Upon Expenditure of Funds:				
Illinois Department of Commerce and Economic Opportunity				
Job Training and Economic Development	1/1/14 to 12/31/15	\$ 110,000	\$ 34,551	\$ 75,449
Illinois Department of Commerce and Economic Opportunity				
Eliminate the Digital Divide	6/1/14 to 6/30/15	68,960	86	68,874
WRD Environmental				
Greencorps	1/1/14 to 12/31/14	67,383	24,495	42,888
Total		<u>\$2,327,867</u>	<u>\$1,622,882</u>	<u>\$ 704,985</u>

Note 4 – Property and Equipment

OAI's property and equipment at June 30, 2014 are as follows:

	<u>Amount</u>
Furniture and equipment	\$ 146,656
Computer equipment and software	130,340
Vehicle	19,245
Leasehold improvements	14,119
	<u>310,360</u>
Accumulated depreciation	(248,312)
Net property and equipment	<u>\$ 62,048</u>

Depreciation expense amounted to \$35,548 for the year ended June 30, 2014.

Note 5 – Leases

OAI leases operating facilities under non-cancellable operating lease arrangements. These leases expire at various dates through October 31, 2016. Rental expense for these leases, included in the Statement of Activities for the year ended June 30, 2014, was \$220,734.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 – Leases (cont.)

Future minimum annual rental payments required under these operating leases are as follows:

<u>June 30,</u>	<u>Amount</u>
2015	\$ 200,942
2016	75,342
2017	4,275
Total	<u>\$ 280,559</u>

Note 7 – Lines of Credit

OAI is obligated for credit cards issued in its name. At June 30, 2014, OAI's total line of credit available related to these credit cards was \$25,000, of which \$9,681 was outstanding and included in accounts payable.

Note 8 – Retirement Plan

OAI maintains a 401(k) defined contribution plan for the benefit of all of its employees which allows for both employee and employer contributions. OAI matches up to 50 percent of the participating employee's contribution which does not exceed six percent of their compensation. OAI contributed and expensed \$20,421 for the year ending June 30, 2014.

Note 9 – Subsequent Events

For the fiscal year ended June 30, 2014, OAI's management has evaluated subsequent events through December 1, 2014, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.

SUPPLEMENTARY INFORMATION

OAI, INC.**SCHEDULE OF EXPENSES BY PROGRAM****For the Year Ended June 30, 2014 (with comparative totals for 2013)**

	Pre- Employment Program	Business & Worker Training Program	OAI Chicago Southland Program	2014 Total Program Services	2013 Total Program Services
Salaries	\$ 332,905	\$ 264,170	\$ 158,142	\$ 755,217	\$ 977,204
Fringe benefits and related taxes	108,453	86,062	51,110	245,625	289,492
Total salaries and related expenses	441,358	350,232	209,252	1,000,842	1,266,696
Sub-recipients	78,472	-	-	78,472	87,191
Contract services	96,296	53,360	36,675	186,331	437,203
Contractual trainers	67,819	211,257	2,255	281,331	541,017
Professional fees	-	535	-	535	623
Supporting services	35,712	-	4,638	40,350	111,376
Donated services	-	-	-	-	30,554
Client services	8,560	-	14,312	22,872	182,862
Transportation expense	11,092	16,923	10,539	38,554	56,675
Seminar fees	491	227	461	1,179	3,972
Meeting expense	1,519	773	-	2,292	3,394
Occupancy, other than depreciation	125,524	69,781	27,424	222,729	228,326
Telephone	2,985	2,385	187	5,557	5,112
Supplies	11,360	9,299	2,181	22,840	50,076
Computer expense	1,693	-	100	1,793	7,399
Equipment purchases under \$5,000	4,654	1,669	233	6,556	5,803
Equipment rental, repair and maintenance	4,271	3,364	251	7,886	9,469
Insurance	2,676	1,873	1,108	5,657	3,977
Postage and shipping	385	851	37	1,273	2,799
Dues and subscriptions	1,333	1,493	575	3,401	4,228
Miscellaneous	-	-	-	-	1,253
Total expenses before depreciation	896,200	724,022	310,228	1,930,450	3,040,005
Depreciation	9,027	14,056	9,526	32,609	29,934
Total Expenses	\$ 905,227	\$ 738,078	\$ 319,754	\$ 1,963,059	\$ 3,069,939

See independent auditor's report and notes to financial statements.

**REPORTS REQUIRED BY
OMB A-133**

OAI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Disbursements or Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
NIEHS Hazardous Waste Worker Health and Safety Training			
August 1, 2012 to July 31, 2013	93.142	5 U45 ES007850-18	\$ 102,674
August 1, 2013 to July 31, 2014	93.142	5 U45 ES007850-19	<u>1,248,568</u>
Total U.S. Department of Health and Human Services			(1) <u>1,351,242</u>
<u>U.S. Environmental Protection Agency</u>			
Brownfield Job Training Cooperative Agreements			
October 1, 2011 to September 30, 2013	66.815	JT-00E97952-0	107,589
October 1, 2103 to September 30, 2016	66.815	JT-00E01233-0	<u>25,800</u>
			133,389
Passed through the Illinois Department of Natural Resources Great Lakes Program			
September 1, 2013 to May 31, 2015	66.469	USEPA 1205B	<u>8,190</u>
Total U.S. Environmental Protection Agency			<u>141,579</u>
<u>U.S. Department of Labor</u>			
Youthbuild			
June 1, 2011 to May 31, 2014	17.274	YB-21768-11-60-A-17	<u>168,718</u>
Passed through the Chicago Community Trust Green Jobs Innovation Fund			
August 1, 2011 to June 30, 2014	17.279	A2012-00340	<u>103,688</u>
Total U.S. Department of Labor			<u>272,406</u>
<u>Corporation for National and Community Service</u>			
Passed through the Chicago Community Trust Social Innovation Fund			
April 1, 2014 to March 31, 2015	94.019	10SIHMAOO1	<u>2,028</u>
Total Expenditures of Federal Awards			<u>\$ 1,767,255</u>

(1) Major Program

See independent auditor's report and notes to financial statements.

OAI, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal grant activity of OAI, Inc. under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of OAI, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of OAI, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 – Sub-Recipients

Of the Federal expenditures presented in the Schedule, OAI provided federal awards to sub-recipients during the year ended June 30, 2014 as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Amount Provided to Sub-Recipients</u>
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	\$ 78,472

Note 4 – Non-Cash Awards

OAI, Inc. did not have any outstanding Federal loans or loan guarantees at June 30, 2014, and did not receive any Federal non-cash awards or insurance assistance for reimbursement losses during the year ended June 30, 2014.



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Directors of
OAI, Inc.
Chicago, Illinois

We have audited in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of OAI, Inc. (OAI), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OAI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OAI's internal control. Accordingly, we do not express an opinion on the effectiveness of OAI's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OAI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of OAI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OAI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Desmond & Ahern, Ltd

December 1, 2014
Chicago, IL



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control Over Compliance
Required by OMB Circular A-133**

To the Board of Directors
OAI, Inc.
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited OAI, Inc.'s (OAI) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of OAI's major federal programs for the year ended June 30, 2014. OAI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of OAI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OAI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of OAI's compliance.

Unmodified Opinion on Each of the Major Federal Programs

In our opinion, OAI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of OAI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OAI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OAI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Desmond & Ahern, Ltd

December 1, 2014
Chicago, IL

OAI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X no

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of Circular A-133? _____ yes X no

Certification of Major Programs

CFDA Number

Name of Federal Program or Cluster

93.142

NIEHS Hazardous Waste Worker Health and Safety Training

Dollar threshold used to distinguish between type A and type B Programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

OAI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Federal Award Findings and Questioned Costs

None