

OAI, INC.

**Financial Statements and
Supplementary Information**

**(Including Reports Required by
OMB's Uniform Guidance)**

**As of June 30, 2019
and for the Year then Ended
(with comparative totals for 2018)**

OAI, INC.

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of OAI, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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, 2019, 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, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 17, 2019 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.

Report on Summarized Comparative Information

We have previously audited OAI, Inc. financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in note 2 to the financial statements, in 2019, OAI, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Desmond & Ahern, Ltd

December 17, 2019
Chicago, IL

OAI, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2019 (with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 842,872	\$ 806,419
Certificate of deposit	250,000	250,000
Government receivables	582,841	636,627
Contribution receivables	53,750	-
Other receivables	78,132	8,620
Prepaid expenses	29,946	36,470
Total current assets	<u>1,837,541</u>	<u>1,738,136</u>
Net property and equipment	60,221	85,288
Certificate of deposit	-	250,000
Security deposits	17,979	17,979
Total Assets	<u>\$ 1,915,741</u>	<u>\$ 2,091,403</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 606,890	\$ 507,538
Accrued payroll and related taxes	125,882	105,211
Refundable advances	7,636	-
Total current liabilities	<u>740,408</u>	<u>612,749</u>
Net Assets		
Without donor restrictions	584,082	585,104
With donor restrictions	591,251	893,550
Total net assets	<u>1,175,333</u>	<u>1,478,654</u>
Total Liabilities and Net Assets	<u>\$ 1,915,741</u>	<u>\$ 2,091,403</u>

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

OAI, INC.**STATEMENT OF ACTIVITIES****For the Year Ended June 30, 2019 (with comparative totals for 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<u>Public Support and Revenue</u>				
Government funding	\$ 3,512,931	\$ -	\$ 3,512,931	\$ 3,361,042
Fees for service	212,478	-	212,478	70,912
Contributions	300,501	210,500	511,001	937,131
Program income	1,945	10,809	12,754	29,215
Interest and other income	13,396	-	13,396	4,477
Donated services	-	-	-	4,000
Net assets released from restrictions - satisfaction of purpose restriction	523,608	(523,608)	-	-
Total Public Support and Revenue	<u>4,564,859</u>	<u>(302,299)</u>	<u>4,262,560</u>	<u>4,406,777</u>
<u>Expenses</u>				
Program Services				
Pre-Employment	1,236,838	-	1,236,838	969,913
Business and Worker Training	848,722	-	848,722	778,444
OAI Chicago Southland	1,794,974	-	1,794,974	1,573,863
High Bridge	86,653	-	86,653	131,392
Total program services	<u>3,967,187</u>	<u>-</u>	<u>3,967,187</u>	<u>3,453,612</u>
Management and general	594,089	-	594,089	465,179
Fundraising	4,605	-	4,605	8,056
Total Expenses	<u>4,565,881</u>	<u>-</u>	<u>4,565,881</u>	<u>3,926,847</u>
Change in net assets	(1,022)	(302,299)	(303,321)	479,930
Net assets, beginning of year	<u>585,104</u>	<u>893,550</u>	<u>1,478,654</u>	<u>998,724</u>
Net assets, end of year	<u>\$ 584,082</u>	<u>\$ 591,251</u>	<u>\$ 1,175,333</u>	<u>\$ 1,478,654</u>

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

OAI, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019 (with comparative totals for 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
<u>Functional Expenses</u>					
Salaries	\$ 1,536,694	\$ 356,207	\$ 2,344	\$ 1,895,245	\$ 1,579,928
Fringe benefits and related taxes	372,658	83,360	562	456,580	381,719
Total salaries and related expenses	<u>1,909,352</u>	<u>439,567</u>	<u>2,906</u>	<u>2,351,825</u>	<u>1,961,647</u>
Sub-recipients	89,623	-	-	89,623	103,422
Contract services	568,520	31,114	33	599,667	408,965
Contractual trainers	319,010	4	-	319,014	359,364
Professional fees	2,128	20,092	3	22,223	24,351
Supporting services	343,691	61	-	343,752	237,402
Donated services	-	-	-	-	4,000
Client services	153,349	-	-	153,349	234,162
Transportation expense	99,136	328	17	99,481	85,445
Seminar fees	26,163	3,870	-	30,033	12,869
Meeting expense	5,143	1,251	-	6,394	8,978
Occupancy, other than depreciation	248,392	57,019	383	305,794	288,485
Telephone	6,448	7,334	17	13,799	8,192
Supplies	98,734	4,581	11	103,326	81,164
Computer expense	5,357	2,066	3	7,426	9,378
Equipment purchases under \$1,000	15,682	218	-	15,900	9,510
Equipment rental, repair and maintenance	10,874	2,599	16	13,489	17,928
Insurance	9,445	3,554	10	13,009	13,611
Postage and shipping	1,998	230	-	2,228	1,933
Dues and subscriptions	17,405	730	1,160	19,295	5,836
Miscellaneous	10,249	2,900	46	13,195	11,923
Total expenses before depreciation	<u>3,940,699</u>	<u>577,518</u>	<u>4,605</u>	<u>4,522,822</u>	<u>3,888,565</u>
Depreciation	26,488	16,571	-	43,059	38,282
Total Expenses	<u><u>\$ 3,967,187</u></u>	<u><u>\$ 594,089</u></u>	<u><u>\$ 4,605</u></u>	<u><u>\$ 4,565,881</u></u>	<u><u>\$ 3,926,847</u></u>

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

OAI, INC.**STATEMENT OF CASH FLOWS****For the Year Ended June 30, 2019 (with comparative totals for 2018)**

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (303,321)	\$ 479,930
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property and equipment	43,059	38,282
Decrease (increase) in assets		
Government receivables	53,786	8,816
Contribution receivables	(53,750)	35,000
Other receivables	(69,512)	20,080
Prepaid expenses and deposits	6,524	(10,066)
Increase in liabilities		
Accounts payable and payroll accrual	120,023	52,595
Refundable advances	7,636	-
Net cash provided by (used in) operating activities	<u>(195,555)</u>	<u>624,637</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of property and equipment	(17,992)	(36,874)
Purchases of certificates of deposits	-	(500,000)
Proceeds from maturity of certificates of deposits	250,000	-
Net cash provided by (used in) investing activities	<u>232,008</u>	<u>(536,874)</u>
Net increase in cash and cash equivalents	36,453	87,763
Cash and cash equivalents, beginning of year	<u>806,419</u>	<u>718,656</u>
Cash and cash equivalents, end of year	<u><u>\$ 842,872</u></u>	<u><u>\$ 806,419</u></u>

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

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. 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.

High Bridge, L3C

High Bridge, L3C was a limited liability company, founded and wholly owned by OAI, Inc. High Bridge, L3C is the Chicago Southland's premier landscape design, installation and maintenance firm. High Bridge, L3C was dissolved as a separate business entity in September 2018. As a result, OAI absorbed the activities of High Bridge as a department of OAI. OAI will continue to collaborate with municipalities and other environmental non-profits to accomplish the mission of High Bridge and any new installation projects or grants that are secured.

Divisions

The Organizations' programs and services are currently organized into four divisions:

Pre-Employment

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

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

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

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

High Bridge

The High Bridge division installs and maintains green infrastructure treatments - primarily rain gardens - hiring local labor and helping advance technical and higher-paying skills for residents of the Calumet region. The division is designed to offer full-time, short-term employment, enabling job training graduates and residents to benefit economically and environmentally from a variety of public green infrastructure investments in south suburban communities.

Income Tax Status

The Organization 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 Organization 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 Organization continues to operate in compliance with its tax-exempt purpose.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination by the IRS, generally for three years after they have been filed.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

The Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Organization.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations. As of June 30, 2019, there were no net assets subject to donor-imposed restrictions to be maintained permanently.

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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The accounts may, at times, exceed the federally insured limit of \$250,000. No cash was paid for interest or income taxes for the year ended June 30, 2019.

For purposes of the Statement of Cash Flows, the Organizations consider all U.S. Treasury bills and certificates of deposits with an original maturity of three months or less to be cash equivalents.

Certificates of Deposit

The Organization holds one \$250,000 certificate of deposit at June 30, 2019, with a maturity date of February 2020. The certificate of deposit is fully insured by the FDIC and is carried at original cost, plus accrued interest.

Property and Equipment

Expenditures of \$1,000 or more for property and equipment, and items which substantially increase the useful lives of existing assets, are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

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

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions 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.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ended June 30, 2019, the Organization did not receive any donated property or equipment.

Support and Revenue

Gifts of cash and other assets are reported 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, it is treated as without restriction.

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. As of June 30, 2019, there is no allowance for doubtful accounts.

Fees for Service

The majority of the fees for service revenue is earned by the High Bridge division through contracts to install landscaping and green infrastructure projects. A small portion of the revenue is from OAI, Inc. providing recruitment services, health and safety training, and markerlab workshops. For the year ended June 30, 2019, the Organization received \$212,478 in aggregate fees for service revenue.

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, 2019, the Organization did not receive donated services that met this criteria.

In-Kind Contributions

In addition to receiving cash contributions, the Organization may receive in-kind contributions from various donors. In accordance with generally accepted accounting principles, such contributions are recorded at estimated fair value of donations as either an asset or expense in its financial statements, and similarly records corresponding donation revenue by a like amount. For the year ending June 30, 2019, the Organization did not receive any in-kind donations.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Certain Vulnerabilities and Concentrations

During the year ended June 30, 2019, the Organization received approximately 82% of its funding from various government agencies. Following is a breakdown by funding agency of the portion of the Organization’s revenue from government agencies for the year ending June 30, 2019 and the grants receivable at June 30, 2019:

	<u>% of Total Government Revenue</u>	<u>Government Contributions Receivable</u>
National Institute of Environmental Health Sciences	50%	37%
U.S. Department of Labor (direct and pass-through IDHS)	29%	35%
U.S. Environmental Protection Agency (direct and pass-through IDNR)	2%	2%
U.S. Department of Agriculture Food and Nutrition (pass-through IDCEO)	14%	17%
U.S. Department of Housing and Urban Development (pass-through Cook County Bureau of Economic Development)	2%	8%
Justice Advisory Council	2%	0%
Other	1%	1%
	<u>100%</u>	<u>100%</u>

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

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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 the Organization’s audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through December 17, 2019, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Not-for-Profit Financial Statement Presentation

During fiscal 2019, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows.

Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction of a net asset without donor restrictions where the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

No reclassification of 2018 net assets were necessary by the adoption of ASU No. 2016-14 by the Organization as of June 30, 2019.

Note 2 – Financial Assets and Liquidity Resources

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2 – Financial Assets and Liquidity Resources (cont.)

Financial assets, at year-end:	
Cash and cash equivalents	\$ 842,872
Certificate of deposit- current	250,000
Government receivables	582,841
Contribution receivables	53,750
Other receivables	78,132
Total financial assets, at year-end	<u>1,807,595</u>
Less amounts not available to be used within one year:	
Restricted by donor with time or purpose restrictions	<u>(591,251)</u>
Financial assets not available to be used within one year	<u>(591,251)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 1,216,344</u>

The Organization provides various contractual program services from which it receives city, state and federal reimbursement as well as significant unrestricted and restricted gift pledges and contributions from individual, corporation and foundation donors; and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes. The organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. During the year ended June 30, 2019 the level of liquidity and reserves was managed within the policy requirements.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 3 – Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 are available for the following purposes:

Hazardous Worker Training	\$ 60,768
Environmental Careers Worker Training	388,126
Job Training and Economic Development	29,079
OAI Chicago Southland Program	113,278
	<u>\$ 591,251</u>

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4 – Property and Equipment

At June 30, 2019, property and equipment are comprised of the following:

	<u>Amount</u>
Furniture and equipment	\$ 120,465
Computer equipment and software	113,501
Vehicle	19,245
Leasehold improvements	<u>28,053</u>
	281,264
Accumulated depreciation	<u>(221,043)</u>
Net property and equipment	<u><u>\$ 60,221</u></u>

Depreciation expense amounted to \$43,059 for the year ended June 30, 2019.

Note 5 – Leases

The Organization leases operating facilities under non-cancellable operating lease arrangements. These leases expire at various dates through January 31, 2026. Rental expense for these leases, included in the Statement of Activities for the year ended June 30, 2019, was \$251,124.

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

<u>June 30,</u>	<u>Amount</u>
2020	\$ 251,104
2021	188,323
2022	189,820
2023	185,024
2024	204,970
Thereafter	<u>292,879</u>
	<u><u>\$ 1,312,120</u></u>

Note 6 – Retirement Plan

The Organization maintains a 401(k) defined contribution plan for the benefit of all of its employees which allows for both employee and employer contributions. The Organization matches up to 50 percent of the participating employee's contribution which does not exceed six percent of their compensation. The Organization contributed and expensed \$33,881 for the year ending June 30, 2019.

SUPPLEMENTARY INFORMATION

OAI, INC.
SCHEDULE OF EXPENSES BY PROGRAM
For the Year Ended June 30, 2019 (with comparative totals for 2018)

	Pre- Employment Program	Business & Worker Training Program	OAI Chicago Southland Program	High Bridge	2019 Total Program Services	2018 Total Program Services
Salaries	\$ 495,340	\$ 360,461	\$ 674,015	\$ 6,878	\$ 1,536,694	\$ 1,107,134
Fringe benefits and related taxes	120,056	87,658	163,402	1,542	372,658	262,510
Total salaries and related expenses	615,396	448,119	837,417	8,420	1,909,352	1,369,644
Sub-recipients	89,623	-	-	-	89,623	118,399
Contract services	122,233	67,894	344,199	34,194	568,520	482,672
Contractual trainers	123,731	190,522	4,757	-	319,010	337,003
Professional fees	798	461	862	7	2,128	2,457
Supporting services	79,830	-	263,861	-	343,691	160,832
Donated services	-	-	-	-	-	42,175
Client services	6,434	-	146,915	-	153,349	174,405
Transportation expense	47,241	16,936	33,899	1,060	99,136	93,793
Seminar fees	10,475	4,649	11,039	-	26,163	14,581
Meeting expense	1,177	1,608	2,358	-	5,143	4,820
Occupancy, other than depreciation	89,375	59,847	98,183	987	248,392	180,402
Telephone	3,480	2,539	424	5	6,448	6,883
Supplies	18,077	26,388	19,912	34,357	98,734	142,765
Computer expense	3,824	488	1,037	8	5,357	13,485
Equipment purchases under \$5,000	4,203	9,561	1,918	-	15,682	6,627
Equipment rental, repair and maintenance	3,440	2,497	417	4,520	10,874	47,194
Insurance	2,062	1,501	2,803	3,079	9,445	9,104
Postage and shipping	463	1,180	339	16	1,998	1,864
Dues and subscriptions	2,967	4,520	9,918	-	17,405	5,918
Miscellaneous	2,725	3,886	3,638	-	10,249	5,272
Total expenses before depreciation	1,227,554	842,596	1,783,896	86,653	3,940,699	3,220,295
Depreciation	9,284	6,126	11,078	-	26,488	11,170
Total Expenses	\$ 1,236,838	\$ 848,722	\$ 1,794,974	\$ 86,653	\$ 3,967,187	\$ 3,231,465

**REPORTS REQUIRED BY
OMB'S UNIFORM GUIDANCE**

OAI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass Through Contract Number	Passed Through to Subrecipients	Disbursements or Expenditures
<u>U.S. Department of Health and Human Services</u>				
NIEHS Hazardous Waste Worker Health and Safety Training				
August 1, 2018 to July 31, 2019	93.142	NA	\$ 89,623	\$ 1,643,149
August 1, 2017 to July 31, 2018	93.142	NA	-	125,016
Total U.S. Department of Health and Human Services			89,623 (1)	1,768,165
<u>U.S. Environmental Protection Agency</u>				
Environmental Workforce Development and Job Training Cooperative Agreements				
October 1, 2017 to September 30, 2020	66.815	NA	-	70,178
October 1, 2015 to September 30, 2018	66.815	NA	-	8,829
			-	79,007
Passed through Illinois Department of Natural Resources Great Lakes Program				
June 22, 2016 to December 31, 2018	66.469	GLR1-16-001	-	502
Total U.S. Environmental Protection Agency			-	79,509
<u>U.S. Department of Labor</u>				
Passed through the Illinois Department of Commerce and Economic Opportunity WIOA Cluster				
June 1, 2018 to March 31, 2020	17.258		-	83,093
June 1, 2018 to December 31, 2019	17.259	16-638105, 17-635005,	-	88,589
June 1, 2017 to June 30, 2019	17.278	17-633091	-	126,619
Total WIOA Cluster			-	298,301
Passed through the Illinois Department of Health and Human Services H-1B Job Training Grants				
July 1, 2016 to June 30, 2020	17.268	HG-29540-16-60-A-17	-	985,302
Passed through the Local Initiatives Support Corporation Reentry Employment Opportunities - Reintegration of Ex-Offenders				
October 1, 2018 - June 30, 2020	17.270	PE-30759-17-60-A-36	-	48,160
Total U.S. Department of Labor			-	1,331,763
<u>U.S. Department of Agriculture Food and Nutrition Service</u>				
Passed through the Illinois Department of Commerce and Economic Opportunity Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP				
February 1, 2016 to February 28, 2019	10.596	15-762015	-	164,908
Total U.S. Department of Agriculture Food and Nutrition Service			-	164,908

(1) Major Program

OAI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Disbursements or Expenditures</u>
<u>U.S. Department of Commerce National Oceanic and Atmospheric Administration</u>				
Passed through the State of Illinois Department of Natural Resources				
Coastal Zone Management Administration Awards				
January 9, 2017 to September 30, 2019	11.419	17-091-N16-25	\$ -	\$ 2,655
Total U.S. Department of Commerce National Oceanic and Atmospheric Administration			-	2,655
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Cook County Bureau of Economic Development				
Community Development Block Grants/Entitlement Grants				
October 1, 2018 to September 30, 2019	14.218	1804-057	-	28,182
October 1, 2017 to September 30, 2018	14.218	1704-050	-	22,759
October 1, 2017 to September 30, 2018	14.218	1702-083	-	32,949
Total Department of Housing and Urban Development			-	83,890
<u>U.S. Department of the Interior</u>				
Passed through the National Fish and Wildlife Foundation				
Great Lakes Restoration				
November 1, 2018 to October 31, 2020	15.662	0501.18.061604	-	6,180
Total U.S. Department of the Interior			-	6,180
Total Expenditures of Federal Awards			\$ 89,623	\$ 3,437,070

(1) Major Program

OAI, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of OAI, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Non-Cash Awards

OAI, Inc. did not have any outstanding Federal loans or loan guarantees at June 30, 2019, and did not receive any Federal non-cash awards or insurance assistance for reimbursement losses during the year ended June 30, 2019.

Note 4 – Other Matters

Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	None



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., which comprise the statement of financial position as of June 30, 2019, 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 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OAI, Inc.'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, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of OAI, Inc.'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, Inc.'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 the Organization'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, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Desmond & Ahern, Ltd

December 17, 2019
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 Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited OAI, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of OAI, Inc.'s major federal programs for the year ended June 30, 2019. OAI, Inc.'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, Inc.'s 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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, Inc.'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, Inc.'s compliance.

Opinion on Each of the Major Federal Programs

In our opinion, OAI, Inc. 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, 2019.

Report on Internal Control over Compliance

Management of OAI, Inc. 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, Inc.'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 the Uniform Guidance, 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, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Desmond & Allen, Ltd

December 17, 2019
Chicago, IL

OAI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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 Under 2 CFR section 200.516 (a)? _____ 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: \$750,000

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

OAI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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