

OAI, INC.

**Financial Statements and
Supplementary Information**

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

**As of June 30, 2020
and for the Year then Ended
(with comparative totals for 2019)**

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, 2020, 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, 2020, 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 15, 2020 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 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 the Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, collectively "ASC 606" and ("ASU") No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as of and for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

Desmond & Ahern, Ltd

December 15, 2020
Chicago, IL

OAI, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2020 (with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 1,447,259	\$ 842,872
Certificate of deposit	-	250,000
Contract assets	39,019	36,760
Government receivables	420,228	582,841
Contribution receivables	110,000	53,750
Other receivables	20,389	41,372
Prepaid expenses	33,487	29,946
Total current assets	<u>2,070,382</u>	<u>1,837,541</u>
Property and equipment	51,209	60,221
Security deposits	17,979	17,979
Total Assets	<u><u>\$ 2,139,570</u></u>	<u><u>\$ 1,915,741</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 411,988	\$ 606,890
Accrued payroll and related taxes	164,295	125,882
Paycheck protection loan	438,900	-
Accrued interest	902	-
Refundable advances	314	7,636
Total current liabilities	<u>1,016,399</u>	<u>740,408</u>
Net Assets		
Without donor restrictions	628,636	584,082
With donor restrictions	494,535	591,251
Total net assets	<u>1,123,171</u>	<u>1,175,333</u>
Total Liabilities and Net Assets	<u><u>\$ 2,139,570</u></u>	<u><u>\$ 1,915,741</u></u>

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

OAI, INC.**STATEMENT OF ACTIVITIES****For the Year Ended June 30, 2020 (with comparative totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<u>Public Support and Revenue</u>				
Government funding	\$ 3,285,178	\$ -	\$ 3,285,178	\$ 3,512,931
Fees for service	135,940	-	135,940	212,478
Contributions	550,122	484,750	1,034,872	511,001
Program income	800	3,500	4,300	12,754
Interest and other income	12,385	-	12,385	13,396
Net assets released from restrictions - satisfaction of purpose restriction	584,966	(584,966)	-	-
Total Public Support and Revenue	4,569,391	(96,716)	4,472,675	4,262,560
<u>Expenses</u>				
Program Services				
Pre-Employment	1,167,203	-	1,167,203	1,236,838
Business and Worker Training	771,726	-	771,726	848,722
OAI Chicago Southland	1,793,074	-	1,793,074	1,794,974
High Bridge	76,837	-	76,837	86,653
Total program services	3,808,840	-	3,808,840	3,967,187
Management and general	693,442	-	693,442	594,089
Fundraising	22,555	-	22,555	4,605
Total Expenses	4,524,837	-	4,524,837	4,565,881
Change in net assets	44,554	(96,716)	(52,162)	(303,321)
Net assets, beginning of year	584,082	591,251	1,175,333	1,478,654
Net assets, end of year	\$ 628,636	\$ 494,535	\$ 1,123,171	\$ 1,175,333

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

OAI, INC.**STATEMENT OF FUNCTIONAL EXPENSES****For the Year Ended June 30, 2020 (with comparative totals for 2019)**

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries	\$ 1,578,796	\$ 388,761	\$ 4,262	\$ 1,971,819	\$ 1,895,245
Fringe benefits and related taxes	385,255	83,537	1,038	469,830	456,580
Total salaries and related expenses	1,964,051	472,298	5,300	2,441,649	2,351,825
Sub-recipients	29,868	-	-	29,868	89,623
Contract services	450,334	84,954	15,657	550,945	599,667
Contractual trainers	317,705	-	-	317,705	319,014
Professional fees	1,690	37,954	4	39,648	22,223
Supporting services	386,022	-	-	386,022	343,752
Client services	155,401	-	-	155,401	153,349
Transportation expense	48,061	1,072	-	49,133	99,481
Seminar fees	26,285	828	-	27,113	30,033
Meeting expense	7,310	264	-	7,574	6,394
Occupancy, other than depreciation	251,808	56,814	687	309,309	305,794
Telephone	15,361	4,267	51	19,679	13,799
Supplies	73,905	9,085	105	83,095	103,326
Computer expense	10,122	3,555	24	13,701	7,426
Equipment purchases under \$1,000	2,462	184	-	2,646	15,900
Equipment rental, repair and maintenance	6,155	2,447	28	8,630	13,489
Insurance	7,425	3,643	20	11,088	13,009
Postage and shipping	1,341	205	5	1,551	2,228
Dues and subscriptions	20,971	3,445	674	25,090	19,295
Interest	-	902	-	902	-
Miscellaneous	5,191	911	-	6,102	13,195
Total expenses before depreciation	3,781,468	682,828	22,555	4,486,851	4,522,822
Depreciation	27,372	10,614	-	37,986	43,059
Total Expenses	\$ 3,808,840	\$ 693,442	\$ 22,555	\$ 4,524,837	\$ 4,565,881

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

OAI, INC.**STATEMENT OF CASH FLOWS****For the Year Ended June 30, 2020 (with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (52,162)	\$ (303,321)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property and equipment	37,986	43,059
(Increase) decrease in assets		
Contract assets	(2,259)	(28,279)
Government receivables	162,613	53,786
Contribution receivables	(56,250)	(53,750)
Other receivables	20,983	(41,233)
Prepaid expenses	(3,541)	6,524
Increase (decrease) in liabilities		
Accounts payable and payroll accrual	(156,489)	120,023
Accrued interest	902	-
Refundable advances	(7,322)	7,636
Net cash (used in) operating activities	<u>(55,539)</u>	<u>(195,555)</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of property and equipment	(28,974)	(17,992)
Proceeds from maturity of certificates of deposits	<u>250,000</u>	<u>250,000</u>
Net cash provided by investing activities	<u>221,026</u>	<u>232,008</u>
<u>Cash Flows provided by Financing Activities</u>		
Proceeds from paycheck protection loan	<u>438,900</u>	<u>-</u>
Net cash provided by financing activities	<u>438,900</u>	<u>-</u>
Net increase in cash and cash equivalents	604,387	36,453
Cash and cash equivalents, beginning of year	<u>842,872</u>	<u>806,419</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,447,259</u></u>	<u><u>\$ 842,872</u></u>

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

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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.

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.

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.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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.

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, 2020, there were no net assets subject to donor-imposed restrictions to be maintained permanently.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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, 2020.

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.

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.

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, 2020, the Organization did not receive any donated property or equipment.

Support and Revenue

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met. At June 30, 2020, the Organization has no refundable advances for agreements with measurable barriers and right of returns for amounts received but conditions have not been met.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that only limit the use of the funds or 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. It is the Organization's policy to immediately liquidate donations of common stock.

The Organization reports gifts of land, buildings, and equipment as without donor restriction 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, The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending June 30, 2020 no such gifts of land, buildings, or equipment were received.

Government Grants

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. 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, 2020, there is no allowance for doubtful accounts. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. As of June 30, 2020, the Organization did not have any refundable advances derived from cost-reimbursable federal and state grants.

Contract/Fee for Service Revenue

The Organization recognizes contract revenue (reported as fee for service revenue on the Statement of Activities) at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. To determine the appropriate amount of revenue to be recognized for arrangements determined to be within the scope of ASC 606, the Organization performs the following five steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation. The Organization only applies the five-step model to contracts when it is probable that the Organization will collect consideration it is entitled to in exchange for the goods or services it transfers to the customer.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

The majority of the fees for service revenue is earned from the memberships from employers for the Retention Plus program within the OAI Chicago Southland Program. Memberships are nonrefundable and agreed upon prior to being paid yearly, quarterly, or monthly depending on the contract and billed at the beginning of the covered period. The memberships offer employees access to a Retention Plus Navigator, one-on-one coaching, and utilization of the community-based resource network. Revenue is recognized when the performance obligations are satisfied over the membership period. Other fees for service revenue is earned by the High Bridge division through contracts to install landscaping and green infrastructure projects. Revenue is recognized when the services are completed which are then billed. 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, 2020, the Organization received \$135,940 in aggregate fees for service revenue. As of June 30, 2020, the Organization recorded a contract asset of \$39,019 for services provided but not yet received.

There was no contract/fee for service revenue recorded in 2020 for any performance obligations met in the prior year

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, 2020, 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, 2020, the Organization did not receive any in-kind donations.

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.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Certain Vulnerabilities and Concentrations

During the year ended June 30, 2020, the Organization received approximately 73% 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, 2020 and the grants receivable at June 30, 2020:

	% of Total Government Revenue	Government Contributions Receivable
	<hr/>	<hr/>
National Institute of Environmental Health Sciences	49%	53%
U.S. Department of Labor (direct and pass-through IDHS)	28%	22%
U.S. Environmental Protection Agency (direct and pass-through IDNR)	3%	2%
U.S. Department of Agriculture Food and Nutrition (pass-through IDCEO)	13%	9%
U.S. Department of Housing and Urban Development (pass-through Cook County Bureau of Economic Development)	1%	0%
Justice Advisory Council	6%	11%
Other	0%	3%
	<hr/> <hr/>	<hr/> <hr/>
	100%	100%

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 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 15, 2020, 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.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Accounting Standards Update

During the fiscal 2020 year the Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognitions, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2020. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Note 2 – Financial Assets and Liquidity Resources

As of June 30, 2020, 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, 2020

Note 2 – Financial Assets and Liquidity Resources

Financial assets, at year-end:	
Cash and cash equivalents	\$ 1,447,259
Contract assets	39,019
Government receivables	420,228
Contribution receivables	110,000
Other receivables	20,389
Total financial assets, at year-end	<u>2,036,895</u>
Less amounts not available to be used within one year:	
Restricted by donor with time or purpose restrictions	<u>(494,535)</u>
Financial assets not available to be used within one year	<u>(494,535)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 1,542,360</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.

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3 – Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 are available for the following purposes:

Hazardous Worker Training	\$ 59,375
Environmental Careers Worker Training	226,862
Job Training and Economic Development	29,079
OAI Chicago Southland Program	18,019
High Bridge	121,200
Time restricted	40,000
	<u>\$ 494,535</u>

Note 4 – Property and Equipment

At June 30, 2020, property and equipment are comprised of the following:

Furniture and equipment	\$ 90,348
Computer equipment and software	86,654
Vehicle	19,245
Leasehold improvements	28,053
	<u>224,300</u>
Accumulated depreciation	<u>(173,091)</u>
Net property and equipment	<u>\$ 51,209</u>

Depreciation expense amounted to \$37,986 for the year ended June 30, 2020.

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, 2020, was \$247,620.

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

<u>June 30,</u>	<u>Amount</u>
2021	\$ 188,323
2022	185,635
2023	187,535
2024	189,177
2025	193,443
Thereafter	115,230
	<u>\$ 1,059,343</u>

OAI, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 \$37,637 for the year ending June 30, 2020.

Note 7 – Paycheck Protection Loan

In April 2020, the Organization received loan proceeds in the amount of \$438,900 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has elected to follow ASC 470 and record the entire amount of the loan as debt and accrue interest in accordance with the interest method under ASC Subtopic 835-30, *Imputation of Interest* until the debt is extinguished, which is in accordance with FASB ASC 405-20, when the debtor has been "legally released" as the primary obligor or the debtor satisfies the outstanding balance of the debt. Once the debt is extinguished, the liability would be eliminated and a gain on extinguishment of debt will be recorded. The Organization has accrued \$902 of interest for the year ended June 30, 2020. As of June 30, 2020, the Organization is not able to determine the amount that will be forgiven.

Note 8 – Contingency

The Organization's operations could be significantly impacted by the novel coronavirus pandemic after the Organization fiscal year end of June 30, 2020. Management is maintaining operations to the extent possible however some operations will be affected. It is not possible to reasonably estimate the effect of this crisis on the Organization or whether it would be material to the Organization's financial statements at June 30, 2020.

SUPPLEMENTARY INFORMATION

OAI, INC.
SCHEDULE OF EXPENSES BY PROGRAM
For the Year Ended June 30, 2020 (with comparative totals for 2019)

	Pre- Employment Program	Business & Worker Training Program	OAI Chicago Southland Program	High Bridge	2020 Total Program Services	2019 Total Program Services
Salaries	\$ 495,537	\$ 372,100	\$ 699,717	\$ 11,442	\$ 1,578,796	\$ 1,536,694
Fringe benefits and related taxes	121,040	90,904	170,530	2,781	385,255	372,658
Total salaries and related expenses	<u>616,577</u>	<u>463,004</u>	<u>870,247</u>	<u>14,223</u>	<u>1,964,051</u>	<u>1,909,352</u>
Sub-recipients	29,868	-	-	-	29,868	89,623
Contract services	83,378	34,103	272,875	59,978	450,334	568,520
Contractual trainers	144,794	163,817	9,094	-	317,705	319,010
Professional fees	556	388	734	12	1,690	2,128
Supporting services	101,217	426	284,379	-	386,022	343,691
Client services	4,190	-	151,211	-	155,401	153,349
Transportation expense	19,329	5,771	22,712	249	48,061	99,136
Seminar fees	14,321	3,928	8,036	-	26,285	26,163
Meeting expense	2,878	1,402	2,861	169	7,310	5,143
Occupancy, other than depreciation	89,938	60,114	99,901	1,855	251,808	248,392
Telephone	6,212	4,681	4,324	144	15,361	6,448
Supplies	23,116	15,666	35,065	58	73,905	98,734
Computer expense	2,869	2,173	5,013	67	10,122	5,357
Equipment purchases under \$5,000	691	-	1,771	-	2,462	15,682
Equipment rental, repair and maintenance	3,214	2,418	449	74	6,155	10,874
Insurance	2,363	1,769	3,293	-	7,425	9,445
Postage and shipping	360	779	199	3	1,341	1,998
Dues and subscriptions	10,492	4,169	6,305	5	20,971	17,405
Miscellaneous	1,656	12	3,523	-	5,191	10,249
Total expenses before depreciation	<u>1,158,019</u>	<u>764,620</u>	<u>1,781,992</u>	<u>76,837</u>	<u>3,781,468</u>	<u>3,940,699</u>
Depreciation	<u>9,184</u>	<u>7,106</u>	<u>11,082</u>	<u>-</u>	<u>27,372</u>	<u>26,488</u>
Total Expenses	<u>\$ 1,167,203</u>	<u>\$ 771,726</u>	<u>\$ 1,793,074</u>	<u>\$ 76,837</u>	<u>\$ 3,808,840</u>	<u>\$ 3,967,187</u>

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

OAI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30 2020

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, 2019 to July 31, 2020	93.142	5 U45 ES007850-25	\$ 29,868	\$ 1,507,640
August 1, 2018 to July 31, 2019	93.142	5 U45 ES007850-24	-	98,115
Total U.S. Department of Health and Human Services			<u>29,868</u>	<u>1,605,755</u>
<u>U.S. Environmental Protection Agency</u>				
Environmental Workforce Development and Job Training Cooperative Agreements				
October 1, 2017 to September 30, 2020	66.815	JT-00E02311	-	93,142
January 15, 2020 to January 14, 2023	66.815	JT-00E02817	-	1,409
Total U.S. Environmental Protection Agency			<u>-</u>	<u>94,551</u>
<u>U.S. Department of Labor</u>				
Passed through the Illinois Department of Commerce and Economic Opportunity - WIOA Cluster				
WIA/WIOA Adult Program				
June 1, 2018 to May 31, 2020	17.258		-	116,076
WIA/WIOA Youth Activities				
June 1, 2018 to May 31, 2019	17.259	16-638105, 17-635005, 17-633091	-	123,336
WIA/WIOA Dislocated Worker Formula Grants				
June 1, 2018 to May 31, 2019	17.278		-	175,441
Total WIOA Cluster			<u>-</u>	<u>414,853</u>
Passed through the Illinois Department of Health and Human Services				
H-1B Job Training Grants				
July 1, 2016 to June 30, 2021	17.268	HG-29540-16-60-A-17	- (1)	862,267
Passed through the Local Initiatives Support Corporation				
Reentry Employment Opportunities				
October 1, 2018 - June 30, 2020	17.270	PE-30759-17-60-A-36	-	73,002
Total U.S. Department of Labor			<u>-</u>	<u>1,350,122</u>
<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	-	19,575
Total Department of Housing and Urban Development			<u>-</u>	<u>19,575</u>
<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	-	10,803
Total U.S. Department of the Interior			<u>-</u>	<u>10,803</u>
Total Expenditures of Federal Awards			<u>\$ 29,868</u>	<u>\$ 3,080,806</u>

(1) Major Program

OAI, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

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, 2020. 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, 2020, and did not receive any Federal non-cash awards or insurance assistance for reimbursement losses during the year ended June 30, 2020.

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, 2020, 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 15, 2020.

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 15, 2020
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, 2020. 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, 2020.

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 15, 2020
Chicago, IL

OAI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

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

17.268

H-1B Job Training Grants

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, 2020

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