



WithumSmith+Brown
A Professional Corporation
Certified Public Accountants and Consultants

OPPORTUNITIES INDUSTRIALIZATION CENTERS OF AMERICA, INC.

Financial Statements

June 30, 2010 and 2009

With Independent Auditors' Report

Opportunities Industrialization Centers of America, Inc.
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June 30, 2010 and 2009

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Independent Auditors' Report

To the Board of Directors,
Opportunities Industrialization Centers of America, Inc.:

We have audited the accompanying statements of financial position of Opportunities Industrialization Centers of America, Inc. as of June 30, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Opportunities Industrialization Centers of America, Inc. as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2011 on our consideration of Opportunities Industrialization Centers of America, Inc.'s internal control over financial reporting and on 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, and not to provide an opinion on the internal control over financial reporting, or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

February 24, 2011

Opportunities Industrialization Centers of America, Inc.
Statements of Financial Position
June 30, 2010 and 2009

| | 2010 | 2009 |
|---|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 81,395 | \$ 212,037 |
| Grants and contracts receivable | 148,095 | 12,009 |
| Accounts receivable - OSC | 177 | -- |
| Prepaid expenses | -- | 2,184 |
| Contributions receivable | 1,000 | -- |
| Other current assets | <u>4,169</u> | <u>29,000</u> |
| Total current assets | 234,836 | 255,230 |
| Property and equipment | | |
| Furniture, fixtures and equipment | 767,077 | 749,548 |
| Leasehold improvements | <u>137,349</u> | <u>111,353</u> |
| | 904,426 | 860,901 |
| Less: Accumulated depreciation | <u>813,280</u> | <u>787,682</u> |
| Property and equipment, net | 91,146 | 73,219 |
| Other assets | | |
| Non-operating property, net | 81,051 | 81,051 |
| Security deposits | <u>18,616</u> | <u>14,861</u> |
| Total other assets | <u>99,667</u> | <u>95,912</u> |
| | <u>\$ 425,649</u> | <u>\$ 424,361</u> |
| Liabilities and Net Assets (Deficit) | | |
| Current liabilities | | |
| Line of credit | \$ 58,000 | \$ 61,926 |
| Accounts payable and accrued expenses | 425,205 | 415,033 |
| Accounts payable - OSC | -- | 1,874 |
| Grants and contracts payable | 7,728 | 24,332 |
| Deferred income | 364 | 5,242 |
| Accrued vacation pay | <u>36,396</u> | <u>22,878</u> |
| Total current liabilities | 527,693 | 531,285 |
| Unrestricted net assets (deficit) | <u>(102,044)</u> | <u>(106,924)</u> |
| | <u>\$ 425,649</u> | <u>\$ 424,361</u> |

The Notes to Financial Statements are an integral part of these statements.

Opportunities Industrialization Centers of America, Inc.
Statements of Activities
Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Revenues and support | | |
| Contributions | \$ 13,910 | \$ 87,115 |
| Government grants and contracts | 2,714,801 | 2,077,976 |
| Affiliated membership fees | 47,047 | 42,000 |
| Rental income | 15,600 | 14,209 |
| Other | 16,605 | 26,228 |
| In-kind revenue | 22,500 | 98,333 |
| | <u>2,830,463</u> | <u>2,345,861</u> |
| Expenses | | |
| Training and technical assistance | 2,415,863 | 1,834,610 |
| Resource development | 3,836 | 6,382 |
| General and administrative | 405,884 | 428,953 |
| | <u>2,825,583</u> | <u>2,269,945</u> |
| Changes in net assets | 4,880 | 75,916 |
| Net assets (deficit) - beginning of year | <u>(106,924)</u> | <u>(182,840)</u> |
| Net assets (deficit) - end of year | <u>\$ (102,044)</u> | <u>\$ (106,924)</u> |

The Notes to Financial Statements are an integral part of these statements.

Opportunities Industrialization Centers of America, Inc.
Statements of Functional Expenses
Years Ended June 30, 2010 and 2009

| | 2010 | | | | 2009 | | | |
|---|-----------------------------------|----------------------|----------------------------|---------------------|-----------------------------------|----------------------|----------------------------|---------------------|
| | Training and Technical Assistance | Resource Development | General and Administrative | Total | Training and Technical Assistance | Resource Development | General and Administrative | Total |
| Salaries and wages | \$ 872,566 | \$ 2,200 | \$ 188,796 | \$ 1,063,562 | \$ 731,073 | \$ 3,404 | \$ 125,977 | \$ 860,454 |
| Fringe benefits | 297,169 | 636 | 67,242 | 365,047 | 218,474 | 974 | 53,647 | 273,095 |
| In-kind | | | | | | | | |
| Salaries, wages and fringe benefits | -- | -- | 22,500 | 22,500 | -- | -- | 98,333 | 98,333 |
| Professional fees and contracted services | 572,962 | -- | 18,261 | 591,223 | 349,316 | -- | 24,378 | 373,694 |
| Meetings, conferences and travel | 34,730 | 1,000 | 22,352 | 58,082 | 23,899 | 2,004 | 11,056 | 36,959 |
| Occupancy | 218,313 | -- | 26,550 | 244,863 | 264,859 | -- | 51,839 | 316,698 |
| Telephone | 23,495 | -- | 3,886 | 27,381 | 44,285 | -- | 5,536 | 49,821 |
| Office supplies | 97,784 | -- | 2,374 | 100,158 | 110,899 | -- | 4,649 | 115,548 |
| Printing | 1,573 | -- | 2,730 | 4,303 | 100 | -- | -- | 100 |
| Computer expense | 44,080 | -- | 1,074 | 45,154 | 17,187 | -- | 1,226 | 18,413 |
| Repairs and maintenance | 7,781 | -- | 567 | 8,348 | 8,832 | -- | 1,528 | 10,360 |
| Equipment rental and small purchases | 48 | -- | 6,909 | 6,957 | 17,443 | -- | 1,378 | 18,821 |
| Grants to affiliates | 223,165 | -- | -- | 223,165 | -- | -- | -- | -- |
| Postage and shipping | 2,141 | -- | 525 | 2,666 | 1,078 | -- | 1,616 | 2,694 |
| Insurance | 15,857 | -- | -- | 15,857 | 14,206 | -- | -- | 14,206 |
| Advertising | 180 | -- | 1,000 | 1,180 | -- | -- | 150 | 150 |
| Dues, subscription and membership fees | 475 | -- | 3,145 | 3,620 | 355 | -- | -- | 355 |
| Depreciation | -- | -- | 25,598 | 25,598 | -- | -- | 36,219 | 36,219 |
| Interest expense | -- | -- | 3,309 | 3,309 | -- | -- | 3,450 | 3,450 |
| Staff development | 2,610 | -- | -- | 2,610 | 2,000 | -- | -- | 2,000 |
| Miscellaneous | 934 | -- | 6,066 | 7,000 | 30,604 | -- | 5,778 | 36,382 |
| Bad debt expense | -- | -- | 3,000 | 3,000 | -- | -- | 2,193 | 2,193 |
| | <u>\$ 2,415,863</u> | <u>\$ 3,836</u> | <u>\$ 405,884</u> | <u>\$ 2,825,583</u> | <u>\$ 1,834,610</u> | <u>\$ 6,382</u> | <u>\$ 428,953</u> | <u>\$ 2,269,945</u> |

The Notes to Financial Statements are an integral part of these statements.

Opportunities Industrialization Centers of America, Inc.
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|---|------------------|-------------------|
| Cash flows from operating activities | | |
| Changes in net assets | \$ 4,880 | \$ 75,916 |
| Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities | | |
| Depreciation | 25,598 | 36,219 |
| Bad debt expense | 3,000 | 2,193 |
| Loss on disposal of leasehold improvements | -- | 3,947 |
| Changes in net assets and liabilities | | |
| Grants and contracts receivable | (139,086) | 39,702 |
| Accounts receivable, OSC | (177) | 6,235 |
| Prepaid expense | 2,184 | 13,165 |
| Contributions receivable | (1,000) | -- |
| Other current assets | 24,831 | (24,162) |
| Security deposits | (3,755) | (3,900) |
| Accounts payable and accrued expenses | 10,172 | (95,552) |
| Accounts payable, OSC | (1,874) | 1,874 |
| Grants and contracts payable | (16,604) | (7,091) |
| Deferred income | (4,878) | 5,242 |
| Accrued profit sharing | -- | (11,068) |
| Accrued vacation pay | 13,518 | (17,475) |
| Net cash (used) provided by operating activities | <u>(83,191)</u> | <u>25,245</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | <u>(43,525)</u> | <u>--</u> |
| Net cash used by investing activities | (43,525) | -- |
| Cash flows from financing activities | | |
| Net repayments under line of credit | <u>(3,926)</u> | <u>(8,000)</u> |
| Net cash used by financing activities | <u>(3,926)</u> | <u>(8,000)</u> |
| Net (decrease) increase in cash | (130,642) | 17,245 |
| Cash | | |
| Beginning of year | <u>212,037</u> | <u>194,792</u> |
| End of year | <u>\$ 81,395</u> | <u>\$ 212,037</u> |
| Supplemental disclosure of cash flow information | | |
| Disclosure of cash flow information | | |
| Interest paid | \$ 3,309 | \$ 3,450 |
| Taxes paid | \$ -- | \$ -- |

The Notes to Financial Statements are an integral part of these statements.

Opportunities Industrialization Centers of America, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

1. Organization and Purpose of the Corporation

Opportunities Industrialization Centers of America, Inc. (the "Corporation") is a Pennsylvania private, not-for-profit corporation established in 1970. The Corporation provides education, training and employment services, in Philadelphia, Pennsylvania and provides technical assistance to local affiliated organizations, nationwide that will enable economically disadvantaged and unemployed people of all races and backgrounds to become productive and more fulfilled members of American society.

2. Summary of Significant Accounting Policies

Revenue and Support Recognition

During the year ended June 30, 2010 the Corporation had accounting transactions in the unrestricted net asset category. Unrestricted net assets are assets that are not subject to donor imposed restrictions.

Contributions are recognized as revenue when they are received or unconditionally pledged. The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Corporation accounts for grant and contract revenues, which are deemed to be exchange transactions in the statements of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contracts are recorded as a liability to the grantor as the Corporation does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usage are accounted for as deferred revenue in the statements of financial position.

Affiliated Membership Fees

Affiliated membership fees are annual dues received from a network of local affiliated organizations. The dues received are divided in half, with one portion earmarked for general operations of the Corporation inclusive of National Board activities and one portion being set aside for the use of services provided to the affiliates inclusive of travel and other expenses incurred related to attendance of Opportunities Industrializations Centers of America, Inc. sponsored events. Affiliated membership fees were \$47,047 and \$42,000 in the fiscal years ended June 30, 2010 and 2009, respectively.

Property and Equipment

Property and equipment is carried at cost. Property and equipment contributed to the Corporation is recorded at the appraised fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets by the straight-line method. Maintenance, repairs and minor renewals are charged to operations as incurred.

Concentration of Credit Risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist of cash, grants and contract revenue from the Federal Government, other non-profit organizations and contributions receivable.

The Corporation places its cash in high credit quality financial institutions and, at times, the amounts may exceed the insurance protection limits provided by the Federal Deposit Insurance Corporation. The Corporation does not believe any significant credit risk exists with respect to these investments.

Grants and contracts from the Federal Government and other non-profit organizations accounted for 96 percent and 89 percent of total revenue and support for the years ended June 30, 2010 and 2009, respectively. Grants and contracts from the Federal Government and other non-profit organizations are for

Opportunities Industrialization Centers of America, Inc.
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set periods of time and subject to renewal.

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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense was \$1,180 and \$150 for the years ended June 30, 2010 and 2009, respectively.

Financial Instruments

The carrying amount of financial instruments including cash, grant and contract receivables, other receivables, line of credit, accounts payable, accrued expenses and deferred revenue approximates fair value due to the relatively short maturity of these financial instruments. The carry value of the line of credit approximates its fair value as the interest rate on the line is related to current market rates.

Valuation of Long-Lived Assets

In accordance with the accounting pronouncements on impairment or disposal of long-lived assets the Corporation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstance indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

In-Kind Revenue and Expense

During the years ended June 30, 2010 and 2009, The Reverend Leon H. Sullivan Foundation, an unrelated non-profit entity, paid the salary and fringe benefits of the President and Chief Operation Officer of the Corporation, in the amount of \$22,500 and \$98,333, respectively. These amounts are recognized as both in-kind revenue in the statement of activities and an in-kind expense in the statement of functional expenses.

3. Income Taxes

The Corporation qualifies as a tax-exempt 501(c)(3) corporation under the Internal Revenue Code. Accordingly, it is not subject to Federal or state income taxes.

The Organization adopted the accounting pronouncement dealing with uncertain tax positions as of July 1, 2009. Upon adoption of this accounting pronouncement, the Organization had no unrecognized tax benefits. Furthermore, the Organization had no unrecognized tax benefits at June 30, 2010. There were no open tax years prior to 2007.

Opportunities Industrialization Centers of America, Inc.
Notes to Financial Statements
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4. Grants and Contracts Receivable and Payable

The Corporation operates its programs under various grants and contracts. At June 30, 2010 and 2009 the Corporation was due certain amounts from funding sources for expenditures incurred or services rendered in excess of payments received. In addition, the Corporation received advances from certain funding sources which represent payments received in excess of expenditures incurred. The following details the grants and contracts receivable and advance balances at June 30, 2010 and 2009.

Grants and Contracts Receivable

| | 2010 | 2009 |
|--|-------------------|------------------|
| U.S. Department of Labor | \$ 18,366 | \$ -- |
| U.S. Department of Health and Human Services | | |
| Healthy Marriage Promotion and Responsible Fatherhood | 5,376 | 1,000 |
| Strengthening Communities Fund | 2,480 | -- |
| Commonwealth of Pennsylvania | 121,873 | -- |
| Philadelphia School District - Career and Academic Development Institute | -- | 11,009 |
| | <u>\$ 148,095</u> | <u>\$ 12,009</u> |

Grants and Contracts Payable

| | 2010 | 2009 |
|--|-----------------|------------------|
| U.S. Department of Health and Human Services | \$ 4,064 | \$ 20,668 |
| Pennsylvania Department of Education | 3,664 | 3,664 |
| | <u>\$ 7,728</u> | <u>\$ 24,332</u> |

5. Depreciation and Property and Equipment

Depreciation amounted to \$25,601 in 2010 and \$36,219 in 2009. The principal rates used for computing depreciation are as follows:

| Description | Estimated Life (Years) |
|-----------------------------------|-------------------------------|
| Furniture, fixtures and equipment | 3-5 |
| Leasehold improvements | 5-15 |

6. Non-Operating Property, Net

The Corporation holds title to a parcel of land in the City of Philadelphia, Pennsylvania at a recorded cost of \$81,051 in the financial statements.

7. Line of Credit

The line of credit bank consists of a \$100,000 line of credit with Citizens bank, payable on demand with monthly interest payments at 1 percent above the bank's prime rate. The interest rate charged on the line of credit was ranged from 4.25 percent to 6.25 percent for 2010 and 2009. The note is collateralized by a security interest in all the assets and accounts of the Corporation. The Corporation was liable to the bank for \$58,000 and \$61,926 on the line of credit at June 30, 2010 and 2009, respectively. There is no stated formal expiration date on the line of credit.

Opportunities Industrialization Centers of America, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

8. Profit Sharing Plan

The Corporation has a profit sharing plan that is open to all employees on their first day of employment. Vesting in the plan is based upon the completion of 1,000 hours of service on an annual calendar year basis. The Corporation's annual contribution is on a discretionary basis, with the contribution credited to each plan participant in the proportion each participant's compensation bears to total compensation. For the years ended June 30, 2010 and 2009, the Corporation made contributions to the profit sharing plan totaling \$55,658 and \$0, respectively. It is the Corporations' policy to fund the plan currently.

9. Related Party Transactions

The Corporation, in the ordinary course of business, engages in transactions with Opportunities Service Corp. ("OSC"), which is related through common officers and members of the board of directors. The Corporation subleased office space to OSC and incurred expenses in administrative services for which OSC was billed in the years ended June 30, as follows:

| | 2010 | 2009 |
|-------------------------------|------------------|------------------|
| Space rental | \$ 15,600 | \$ 14,209 |
| Supplies, and equipment usage | <u>2,510</u> | <u>2,149</u> |
| Total billed to OSC | <u>\$ 18,110</u> | <u>\$ 16,358</u> |

Amounts due from (to) OSC as of June 30, 2010 and 2009 totaled \$177 and \$(1,874), respectively. The amounts due (to) or from OSC are unsecured, non-interest bearing with no stated payment or repayment terms.

In addition, the Corporation retains a member of the Board of Directors to perform legal services. Payments to the Board member for legal services totaled \$13,441 and \$24,516 for the years ended June 30, 2010 and 2009, respectively.

10. Other Matters

Certain 2009 amounts have been reclassified to conform to the June 30, 2010 financial statement presentation. The reclassifications resulted in no change in the 2009 change in net assets previously reported.

11. Rental Lease

The Corporation rents space to Opportunities Services Corporation, a related entity (see Note 9), under an informal month to month agreement at an annual rate of approximately \$15,600.

12. Commitments

The Corporation moved its administrative and programmatic office space in February, 2009 to a smaller space provided by the same landlord. The non-cancelable lease for the new space, which expires on February 24, 2011, has a monthly rent of \$3,900. Prior to February 2009, the Corporation was subject to a non-cancelable lease for its administrative and programmatic office space with monthly rent of approximately \$12,700 per month. In addition the Corporation rents space to run the Career & Academic Development Institute under a lease which is renewable based on the continuation of the program. Monthly rental for this space is approximately \$15,300. Rent expense for years ended June 30, 2010 and 2009 was \$244,863 and \$316,698, respectively. Minimum annual rentals for the remaining lease term are as follows:

| Years Ending June 30, | Amount |
|------------------------------|---------------|
| 2011 | \$ 46,800 |

Opportunities Industrialization Centers of America, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

13. Subsequent Events

The Corporation has evaluated subsequent events occurring after the statement of financial position date through February 24, 2011, which is the date the financial statements were available to be issued. Based on this evaluation the Corporation determined that no subsequent events have occurred which require disclosure in the financial statements.