

OIH, INC.
FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the Board of Trustees
OIH, Inc.
4795 Evanswood Drive, Suite 102
Columbus, OH 43229-6281

We have reviewed the Independent Auditor's Report of the Ohio Industries for the Handicapped, Inc., Franklin County, prepared by Holbrook & Manter for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Industries for the Handicapped, Inc. is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

September 12, 2001

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
OIH, Inc.
4795 Evanswood Drive, Suite 102
Columbus, OH 43229-6281

We have audited the accompanying statement of financial position of OIH, Inc. (a not-for-profit corporation), as of June 30, 2001 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Organization as of June 30, 2000, were audited by other auditors whose report dated August 4, 2000 expressed an unqualified opinion on those statements.

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

In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the financial position of OIH, Inc. as of June 30, 2001, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Holbrook & Manter

Certified Public Accountants

August 3, 2001
Marion, Ohio

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

OIH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2001 AND 2000

ASSETS

	2001	2000
CURRENT ASSETS:-		
Cash and cash equivalents	\$ 464,391	\$ 454,734
Accounts receivable - work center sales less allowance for doubtful accounts	3,222,091	3,248,746
Prepaid expenses	39,694	35,424
Total current assets	3,726,176	3,738,904
PROPERTY AND EQUIPMENT:-		
Furniture and equipment	258,625	250,941
Vehicles	168,610	168,610
Leasehold improvements	30,736	30,736
	457,971	450,287
Accumulated depreciation	(381,583)	(315,365)
Total property and equipment	76,388	134,922
Total assets	\$ 3,802,564	\$ 3,873,826

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:-		
Accounts payable - trade	\$ 1,952,737	\$ 2,085,573
Accrued payroll and payroll taxes	451	484
Other accrued liabilities	73,410	56,790
Total current liabilities	2,026,598	2,142,847
NET ASSETS - UNRESTRICTED		
Board designated	163,052	154,319
Undesignated	1,612,914	1,576,660
Total net assets	1,775,966	1,730,979
Total liabilities and net assets	\$ 3,802,564	\$ 3,873,826

See Accompanying Notes to Financial Statements

OIH, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
REVENUE:-		
Commissions	\$ 1,654,872	\$ 1,989,515
Investment income	78,082	67,672
Miscellaneous	0	1,206
	<u>1,732,954</u>	<u>2,058,393</u>
OPERATING EXPENSES:-		
Salary and wages	1,024,235	1,144,589
Fringe benefits	178,472	186,062
Payroll taxes	80,559	95,057
Consulting and contract labor	28,007	28,481
Accounting and legal	14,849	24,968
Bad debt	600	6,000
Printing	33,922	35,701
Promotion	28,210	25,674
Travel and auto	41,476	44,220
Office supplies	22,129	25,270
Maintenance	6,625	5,925
Telephone	20,207	25,811
Postage	7,498	8,852
Insurance	14,380	14,021
Rent	113,883	109,143
Depreciation	66,219	66,412
Miscellaneous	6,696	9,200
	<u>1,687,967</u>	<u>1,855,386</u>
Total operating expenses	<u>1,687,967</u>	<u>1,855,386</u>
Increase in net assets	44,987	203,007
Net assets at beginning of year	<u>1,730,979</u>	<u>1,527,972</u>
Net assets at end of year	<u>\$ 1,775,966</u>	<u>\$ 1,730,979</u>

See Accompanying Notes to Financial Statements

OIH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Increase in unrestricted net assets	\$ 44,987	\$ 203,007
Adjustments to reconcile the change in net assets to net cash provided by operating activities:-		
Depreciation	66,219	66,412
(Increase) decrease in accounts receivable	26,655	(305,085)
(Increase) decrease in prepaid expenses	(4,270)	7,364
Increase (decrease) in accounts payable	(132,836)	50,093
Increase (decrease) in accrued payroll and payroll taxes	(33)	(12,900)
Increase (decrease) in other accrued liabilities	16,620	(39,140)
Net cash provided (used) by operating activities	17,342	(30,249)
CASH FLOWS FROM INVESTING ACTIVITIES:-		
Purchases of property and equipment	(7,685)	(56,263)
Net cash used by investing activities	(7,685)	(56,263)
Net increase (decrease) in cash and cash equivalents	9,657	(86,512)
Cash and cash equivalents at beginning of year	454,734	541,246
Cash and cash equivalents at end of year	\$ 464,391	\$ 454,734

See Accompanying Notes to Financial Statements

OIH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - OIH, Inc. (OIH) is a not-for-profit corporation formed in 1976 for the purposes of improving employment opportunities for individuals with severe disabilities in the State of Ohio. OIH accomplishes its mission by marketing products and services manufactured and/or provided by Ohio's community rehabilitation programs. Nearly all of OIH's activities are conducted in conjunction with the Ohio State Use Program as governed by the State Use Law (Ohio Revised Code (ORC) Sections 4115.31 to 4115.35). As a result, OIH's primary marketing targets are state agencies, political subdivisions, and instrumentalities of the state.

OIH entered into an operating agreement dated January 13, 2000 with the State Committee for the Purchase of Products and Services Provided by Persons with Severe Disabilities (the Committee). The Committee, which was created under ORC Section 4115.32, is responsible for the operation of the State Use Program within Ohio. In accordance with the agreement, OIH has been certified as an approved central nonprofit agency responsible for carrying out the intent of the State Use Program within Ohio and was issued a certificate effective for the period February 1, 2000 through January 31, 2005. The terms and conditions of the agreement include, among other things, compliance with specific objectives of the State Use Program. In addition, the agreement establishes a commission fee that constitutes the sole source of revenue that OIH may collect for its services as a certified nonprofit agency under the Ohio State Use Program. This commission fee is subject to change annually upon review by the Committee.

Basis of Presentation - OIH's financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS 117, OIH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, OIH is required to present a statement of cash flows.

Property and Equipment - Property and equipment are recorded at original cost. Depreciation of furniture and equipment and vehicles is provided using the straight-line method over the estimated lives of the assets ranging from 3 to 7 years. Leasehold improvements are being amortized over the terms of the leases.

Sources of Revenue - OIH, Inc. promotes the sale of products manufactured and services performed by various community rehabilitation programs throughout the state. In order to cover OIH expenses, a commission is added to the cost of the products and services sold. OIH pays the cost of the products and services sold by the community rehabilitation programs within thirty days of receipt of an invoice. OIH invoices and collects payments for the goods and services sold to the customers. OIH invoiced customers approximately \$28.7 million during the year ended June 30, 2001 and \$29 million during the year ended June 30, 2000 in conjunction with community rehabilitation program sales.

Federal Income Taxes - OIH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. OIH is not classified as a private foundation.

Cash and Cash Equivalents - For purposes of the statements of cash flows, OIH considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

OIH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable - Accounts receivable are presented at net realizable value. The allowance for doubtful accounts was \$35,415 and \$35,359 at June 30, 2001 and 2000, respectively.

Use of Estimates - The financial statements of OIH are prepared in conformity with accounting principles generally accepted in the United States of America. This presentation requires the use of estimates and assumptions made by management that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CONCENTRATION OF RISK

During the years ended June 30, 2001 and 2000, OIH maintained cash balances at one financial institution consisting of demand deposits and money market accounts in excess of the \$100,000 coverage provided by FDIC.

For the years ended June 30, 2001 and 2000, approximately 75% of all sales pertained to custodial services. For these same periods, approximately 44% of all revenues were generated from sales to one customer, the Ohio Department of Transportation.

NOTE 3 - OPERATING LEASES

OIH leases office space under three operating leases. The office leases expire between April 2002 and June 2004. Future minimum lease payments under non-cancelable operating leases at June 30, 2001 were as follows:

2002	\$	105,027
2003		103,140
2004		<u>97,500</u>
	\$	<u><u>305,667</u></u>

NOTE 4 - RETIREMENT PLAN

OIH has in effect a retirement plan which covers all eligible employees. The plan is a tax saving annuity program which allows employees to defer a portion of their wages on a before tax basis subject to limits established under Internal Revenue Code Sections 403(b), 415(c), and 402(g).

OIH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 5 - DESIGNATED FUNDS

These funds are designated at June 30, 2001 and 2000 by the Board of Trustees for possible contingencies and unforeseen problems. OIH has invested the funds in money market agreements.

NOTE 6 - RELATED PARTY TRANSACTIONS

It is not uncommon for OIH's Board to include Trustees associated with community rehabilitation programs that utilize the services of OIH. The participation of the community rehabilitation programs on OIH's Board is considered important to OIH's ability to fulfill its defined purpose. All community rehabilitation programs are subject to the same criteria when transacting with OIH. Total purchases of goods and services by OIH from related community rehabilitation programs amounted to \$50,416 for the year ended June 30, 2001.

NOTE 7- CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Nearly all of OIH's business activities are conducted in conjunction with the State Use Program as a certified central nonprofit agency. As a result, the operations of OIH are dependent on the economy within the State of Ohio and are subject to the administrative directives, rules, and regulations of the State of Ohio, specifically as they pertain to the State Use Law. Such administrative directives, rules, and regulations are subject to change by acts of state legislation. Such changes could occur with little notice and could significantly impact the operations of OIH. Furthermore, the terms and conditions of the operating agreement dated January 13, 2000 between OIH and the Committee authorizes the Committee to adjust the commission fee on an annual basis which could significantly impact the operations of OIH.

OIH's role as a certified central nonprofit agency is subject to non-renewal upon expiration of the current operating agreement with the Committee, which expires January 31, 2005.



STATE OF OHIO
OFFICE OF THE AUDITOR

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OHIO INDUSTRIES FOR THE HANDICAPPED, INC

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 20, 2001**