

**OIH, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2004 AND 2003**





**Auditor of State  
Betty Montgomery**

Board of Directors  
OIH, Inc.

We have reviewed the Independent Auditor's Report of the OIH, Inc., Franklin County, prepared by Holbrook & Manter for the audit period July 1, 2003 through June 30, 2004. 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 OIH, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 1, 2004

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of OIH, Inc. (a not-for-profit corporation), as of June 30, 2004 and 2003 and the related statements of activities and changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 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 OIH, Inc. as of June 30, 2004 and 2003, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, OIH's operating agreement with the State Use Committee expires January 31, 2005. OIH is currently in negotiations with the Committee on extending the current operating agreement.

*Holbrook & Manter*

Certified Public Accountants

August 3, 2004  
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, 2004 AND 2003**

**ASSETS**

	<b>2004</b>	<b>2003</b>
<b>CURRENT ASSETS:-</b>		
Cash and cash equivalents	\$ 846,141	\$ 662,396
Accounts receivable - work center sales		
less allowance for doubtful accounts	3,045,544	2,863,130
Prepaid expenses	33,198	35,113
 Total current assets	 3,924,883	 3,560,639
<b>PROPERTY AND EQUIPMENT:-</b>		
Furniture and equipment	247,486	242,000
Leasehold improvements	30,736	30,736
	278,222	272,736
Accumulated depreciation	( 248,222)	( 233,133)
 Total property and equipment	 30,000	 39,603
 <b>Total assets</b>	 \$ 3,954,883	 \$ 3,600,242

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:-</b>		
Accounts payable - trade	\$ 2,173,451	\$ 1,846,149
Accrued payroll and payroll taxes	15,380	4,267
Other accrued liabilities	83,094	78,521
 Total current liabilities	 2,271,925	 1,928,937
<b>NET ASSETS - UNRESTRICTED</b>		
Board designated	169,334	168,212
Undesignated	1,513,624	1,503,093
 Total net assets	 1,682,958	 1,671,305
 <b>Total liabilities and net assets</b>	 \$ 3,954,883	 \$ 3,600,242

See Accompanying Notes to Financial Statements

**OIH, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>REVENUE:-</b>		
Commissions	\$ 1,751,904	\$ 1,641,591
Investment income	8,210	15,702
Gain on disposal of assets	69	33,780
	<b>1,760,183</b>	<b>1,691,073</b>
 <b>OPERATING EXPENSES:-</b>		
Salary and wages	1,082,352	1,069,534
Fringe benefits	180,838	176,751
Payroll taxes	87,004	85,683
Consulting and contract labor	26,775	44,100
Accounting and legal	11,987	12,701
Bad debt	600	600
Printing	39,827	35,034
Promotion	28,365	28,531
Travel and auto	109,940	97,435
Office supplies	23,466	23,317
Maintenance	3,354	2,932
Telephone	17,955	18,011
Postage	7,854	7,894
Insurance	5,768	7,618
Rent	98,448	104,088
Depreciation	17,552	24,768
Miscellaneous	6,445	5,274
	<b>1,748,530</b>	<b>1,744,271</b>
<b>Total operating expenses</b>	<b>1,748,530</b>	<b>1,744,271</b>
<b>Increase (decrease) in net assets</b>	<b>11,653</b>	<b>( 53,198)</b>
Net assets at beginning of year	1,671,305	1,724,503
Net assets at end of year	\$ <b>1,682,958</b>	\$ <b>1,671,305</b>

See Accompanying Notes to Financial Statements



**OIH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>		
Increase (decrease) in unrestricted net assets	\$ 11,653	\$ ( 53,198)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:-		
Depreciation	17,552	24,768
Gain on disposal of assets	( 69)	( 33,780)
(Increase) decrease in accounts receivable	( 182,414)	364,079
(Increase) decrease in prepaid expenses	1,915	2,043
Increase (decrease) in accounts payable	327,302	( 166,373)
Increase (decrease) in accrued payroll and payroll taxes	11,113	3,928
Increase (decrease) in other accrued liabilities	4,573	8,370
	<b>191,625</b>	<b>149,837</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>		
Purchases of property and equipment	( 8,380)	( 14,620)
Proceeds from sale of assets	500	33,918
	<b>( 7,880)</b>	<b>19,298</b>
Net cash provided (used) by investing activities	<b>( 7,880)</b>	<b>19,298</b>
Net increase in cash and cash equivalents	<b>183,745</b>	<b>169,135</b>
Cash and cash equivalents at beginning of year	662,396	493,261
Cash and cash equivalents at end of year	<b>\$ 846,141</b>	<b>\$ 662,396</b>

See Accompanying Notes to Financial Statements

**OIH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

**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.

***Cash Management*** - OIH has instituted a cash management program under which OIH may enter into repurchase agreements with a financial institution by purchasing negotiable securities of the United States Treasury and United States government from the financial institution with a simultaneous agreement by OIH to transfer the securities to the financial institution the next business day following the purchase.

***Property and Equipment*** - Property and equipment are recorded at original cost. Depreciation of furniture and equipment 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. Expenditures for additions, major renewals and improvements are capitalized and expenditures for maintenance and repairs are charged to income as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation is recorded in the year of disposal.

***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 \$31.1 million during the year ended June 30, 2004 and \$29.1 million during the year ended June 30, 2003 in conjunction with community rehabilitation program sales. Another source of revenue is the investment income on available cash balances, which is subject to fluctuation based on current market rates.

**OIH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)**

*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.

*Accounts Receivable* - Accounts receivable are presented at net realizable value. The allowance for doubtful accounts was \$35,471 and \$34,788 at June 30, 2004 and 2003, respectively. OIH establishes an estimate of allowance for doubtful accounts based on history and management's evaluation of outstanding accounts receivable. Once management establishes that an account is uncollectible, the account is written off as a bad debt.

*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, 2004 and 2003, 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 the Federal Deposit Insurance Corporation (FDIC).

Approximately 72% and 74% of all sales pertained to custodial services for the years ended June 30, 2004 and 2003, respectively. For these same periods, approximately 43% of all revenues were generated from sales to one customer, the Ohio Department of Transportation.

**NOTE 3 - OPERATING LEASES:-**

OIH leases office space under an operating lease, which expires June 30, 2007. Future minimum lease payments under this operating lease at June 30, 2004 are as follows:

2005	\$	97,500
2006		97,500
2007		97,500
	\$	<u>292,500</u>

**OIH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

**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).

**NOTE 5 - DESIGNATED FUNDS:-**

These funds are designated at June 30, 2004 and 2003 by the Board of Directors for possible contingencies and unforeseen developments. OIH has invested the funds in money market agreements.

**NOTE 6 - RELATED PARTY TRANSACTIONS:-**

OIH's Board of Directors includes representatives 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 for the years ended June 30, 2004 and 2003 amounted to \$44,391 and \$43,927, respectively.

**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. OIH is currently in negotiations with the Committee on extending the current operating agreement.



**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of OIH, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated August 3, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether OIH, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**INTERNAL CONTROL**

In planning and performing our audit, we considered OIH, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters, which we have reported to management of OIH, Inc. in a separate letter dated August 3, 2004.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Shullrock & Mante*

Certified Public Accountants

August 3, 2004  
Marion, Ohio



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

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**OIH, 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  
NOVEMBER 16, 2004**