POSSITIVITY

FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Board of Directors
Possitivity
4950 Blazer Parkway
Dublin, Ohio 43017

We have reviewed the *Independent Auditors' Report* of Possitivity, Franklin County, prepared by Holbrook & Manter, for the audit period July 1, 2006 through June 30, 2007. 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. Possitivity is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 21, 2007

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To the Board of Directors
Possitivity
Dublin, Ohio

We have audited the accompanying statements of financial position of Possitivity (a not-for-profit corporation), as of June 30, 2007 and 2006 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 Possitivity as of June 30, 2007 and 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2007 on our consideration of Possitivity'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

Holbrook & Manter

Certified Public Accountants

September 12, 2007

POSSITIVITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

ASSETS

	2007	2006
CURRENT ASSETS:-		
Cash and cash equivalents	$ 1,249,923	$ 953,742
Accounts receivable - work center sales, less allowance for doubtful accounts	3,516,290	3,533,194
Notes receivable	21,000	17,268
Prepaid expenses	67,160	34,451
Total current assets	4,854,373	4,538,655
PROPERTY AND EQUIPMENT:-		
Furniture and equipment	256,040	229,930
Leasehold improvements	30,736	30,736
	286,776	260,666
Accumulated depreciation	(241,429)	(223,829)
Total property and equipment	45,347	36,837
LONG-TERM ASSETS:-		
Notes receivable	30,510	53,180
Total assets	$ 4,930,230	$ 4,628,672

See Accompanying Notes to Financial Statements

LIABILITIES AND NET ASSETS

	2007	2006
CURRENT LIABILITIES:-		
Current portion of long-term debt	$ 31,015	$ 31,750
Accounts payable - trade	3,065,536	2,557,345
Accrued payroll and payroll taxes	27,449	30,978
Other accrued liabilities	78,630	84,110
Total current liabilities	3,202,630	2,704,183
LONG-TERM LIABILITIES:-		
Note payable	31,015	62,756
Less current portion	(31,015)	(31,750)
Total long-term liabilities	0	31,006
Total liabilities	3,202,630	2,735,189
NET ASSETS - UNRESTRICTED:-		
Board designated	188,350	179,275
Undesignated	1,539,250	1,714,208
Total net assets	1,727,600	1,893,483
Total liabilities and net assets	$ 4,930,230	$ 4,628,672

POSSITIVITY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
REVENUE:-		
Commissions	$ 2,194,110	$ 1,947,982
Investment income	39,531	39,115
Total revenue	2,233,641	1,987,097
OPERATING EXPENSES:-		
Salary and wages	1,488,296	1,113,989
Fringe benefits	262,781	207,341
Payroll taxes	123,755	91,901
Consulting and contract labor	95,952	102,839
Accounting and legal	22,606	17,657
Bad debt	2,000	600
Printing	35,245	24,477
Promotion	27,885	66,489
Travel and auto	159,247	104,826
Office supplies	28,424	27,167
Maintenance	4,769	5,047
Telephone	14,611	16,422
Postage	8,277	7,372
Insurance	5,919	5,911
Rent	98,343	98,236
Depreciation	17,600	17,609
Loss on disposal of assets	0	379
Miscellaneous	3,814	6,285
Total operating expenses	2,399,524	1,914,547
Increase (decrease) in net assets	(165,883)	72,550
Net assets at beginning of year	1,893,483	1,820,933
Net assets at end of year	$ 1,727,600	$ 1,893,483

See Accompanying Notes to Financial Statements

POSSITIVITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Increase (decrease) in unrestricted net assets	$ (165,883)	$ 72,550
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities;-		
Depreciation	17,600	17,609
Loss on disposal of assets	0	379
(Increase) decrease in accounts receivable	16,903	161,952
(Increase) decrease in prepaid expenses	(32,709)	7,613
Increase (decrease) in accounts payable	508,191	63,775
Increase (decrease) in accrued payroll and payroll taxes	(3,529)	11,188
Increase (decrease) in other accrued liabilities	(5,480)	(13,008)
Net cash provided (used) by operating activities	335,093	322,058
CASH FLOWS FROM INVESTING ACTIVITIES:-		
Payments received on notes receivable	18,938	16,266
Purchases of property and equipment	(26,109)	(35,172)
Net cash used by investing activities	(7,171)	(18,906)
CASH FLOWS FROM FINANCING ACTIVITIES:-		
Payments on bank financing	(31,741)	(27,583)
Net cash provided (used) by financing activities	(31,741)	(27,583)
Net increase (decrease) in cash and cash equivalents	296,181	275,569
Cash and cash equivalents at beginning of year	953,742	678,173
Cash and cash equivalents at end of year	$ 1,249,923	$ 953,742

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

***Organization and Nature of Activities* -** Possitivity (formerly OIH, Inc.) 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. Possitivity accomplishes its mission by marketing products and services manufactured and/or provided by Ohio's community rehabilitation programs. Nearly all of Possitivity'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 prior to January 1, 2007, and ORC Sections 125.60 to 125.6012 effective January 1, 2007). As a result, Possitivity's primary marketing targets are state agencies, political subdivisions, and instrumentalities of the state.

Possitivity 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, Possitivity 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. This certificate was extended for the period February 1, 2005 for an indefinite period not to exceed June 30, 2007. 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 Possitivity 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* -** Possitivity'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 No. 117, Possitivity 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, Possitivity is required to present a statement of cash flows.

***Cash Management* -** Possitivity has instituted a cash management program under which Possitivity 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 Possitivity to transfer the securities to the financial institution the next business day following the purchase.

***Property and Equipment* -** Property and equipment is 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 expense 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* -** Possitivity promotes the sale of products manufactured and services performed by various community rehabilitation programs throughout the state. In order to cover Possitivity expenses, a commission is added to the cost of the products and services sold. Possitivity pays the cost of the products and services sold by the community rehabilitation programs within thirty days of receipt of an invoice. Possitivity invoices and collects payments for the goods and services sold to the customers. Possitivity invoiced customers approximately $33.2 million during the year ended June 30, 2007 and $34.5 million during the year ended June 30, 2006 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.

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

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

Cash and Cash Equivalents **-** For purposes of the statements of cash flows, Possitivity 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 $36,800 and $36,176 at June 30, 2007 and 2006, respectively. Possitivity establishes an estimate of allowance for doubtful accounts based on collection 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 Possitivity 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, 2007 and 2006, Possitivity 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 74% and 71% of all sales pertained to custodial services for the years ended June 30, 2007 and 2006, respectively. For these same periods, approximately 43% of all revenues were generated from sales to one customer, the Ohio Department of Transportation.

NOTE 3 - NOTES RECEIVABLE:-

During March 2005, Possitivity loaned a total of $90,339 to three community rehabilitation programs. The promissory notes call for 60 monthly principal and interest payments of between $441 and $695 to be made with final payments due by May 2010. The notes provide for interest at a fixed rate of 5.5% per annum. The notes are collateralized by equipment, inventory, and other real and personal property of the community rehabilitation programs.

NOTE 4 - NOTE PAYABLE:-

Possitivity has entered into a loan agreement dated February 2, 2005 with The Huntington National Bank, which provided for a commitment of up to $150,000 with a total amount borrowed at June 30, 2007 and 2006 of $31,015 and $62,756, respectively. The original loan maturity date was September 12, 2010, contingent upon Possitivity borrowing the maximum amount on this loan. Based on the actual amount borrowed and the terms of the agreement, the loan is scheduled to mature in 2008. The note required 6 monthly interest payments beginning February 28, 2005, followed by monthly consecutive principal and interest payments of $2,870 beginning August 28, 2005. The note requires interest at a fixed rate of 5.5% per annum and is collateralized by equipment, accounts receivable, and other real and personal property of Possitivity.

NOTE 5 - OPERATING LEASES:-

On April 10, 2007, Possitivity entered into a 63 month operating lease beginning July 1, 2007 for office space located in Dublin, Ohio. The lease contains an option to renew for one five-year term.

Future minimum lease payments under this operating lease at June 30, 2007 is as follows:

2008	$	74,193
2009		102,913
2010		106,237
2011		108,896
2012		111,954

NOTE 6 - RETIREMENT PLAN:-

Possitivity has in effect a retirement plan which covers all eligible employees. The plan is a tax savings 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 7 - DESIGNATED FUNDS:-

These funds are designated at June 30, 2007 and 2006 by the Board of Directors for possible contingencies and unforeseen developments. Possitivity has invested the funds in money market agreements.

NOTE 8 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:-

Nearly all of Possitivity's business activities are conducted in conjunction with the State Use Program and Ohio Revised Code sections identified in Note 1. As a result, the operations of Possitivity 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 and applicable Ohio Revised Code sections. 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 Possitivity.

HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Possitivity
Dublin, Ohio

We have audited the financial statements of Possitivity as of and for the year ended June 30, 2007, and have issued our report thereon dated September 12, 2007. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Possitivity's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that Possitivity's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that Possitivity's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether Possitivity's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Holbrook & Manter

Certified Public Accountants

September 12, 2007

Mary Taylor, CPA
Auditor of State

POSSITIVITY

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
DECEMBER 6, 2007