

OIH, INC.
FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Board of Education
OIH, Inc.
4795 Evanswood Dr.
Suite 102
Columbus, OH 43229-6281

We have reviewed the *Independent Auditor's Report* of the OIH, Inc., Franklin County, prepared by Holbrook & Manter, CPAs, for the audit period July 1, 2004 through June 30, 2005. 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

September 20, 2005

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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, 2005 and 2004 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, 2005 and 2004, 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.

Holbrook & Manter
Certified Public Accountants

July 29, 2005

OIH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:-		
Cash and cash equivalents	\$ 678,173	\$ 846,141
Accounts receivable - work center sales less allowance for doubtful accounts	3,695,146	3,045,544
Notes receivable	16,345	0
Prepaid expenses	<u>42,064</u>	<u>33,198</u>
 Total current assets	 4,431,728	 3,924,883
PROPERTY AND EQUIPMENT:-		
Furniture and equipment	240,883	247,486
Leasehold improvements	<u>30,736</u>	<u>30,736</u>
	271,619	278,222
Accumulated depreciation	<u>(251,966)</u>	<u>(248,222)</u>
 Total property and equipment	 19,653	 30,000
LONG-TERM ASSETS:-		
Notes receivable	<u>70,369</u>	<u>0</u>
 Total assets	 \$ <u>4,521,750</u>	 \$ <u>3,954,883</u>

See Accompanying Notes to Financial Statements

LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES:-		
Current portion of long-term debt	\$ 27,592	\$ 0
Accounts payable - trade	2,493,570	2,173,451
Accrued payroll and payroll taxes	19,790	15,380
Other accrued liabilities	97,118	83,094
	<u>2,638,070</u>	<u>2,271,925</u>
Total current liabilities	2,638,070	2,271,925
LONG-TERM LIABILITIES:-		
Note payable	90,339	0
Less current portion	(27,592)	0
	<u>62,747</u>	<u>0</u>
Total long-term liabilities	62,747	0
Total liabilities	2,700,817	2,271,925
NET ASSETS - UNRESTRICTED:-		
Board designated	172,483	169,334
Undesignated	1,648,450	1,513,624
	<u>1,820,933</u>	<u>1,682,958</u>
Total net assets	1,820,933	1,682,958
Total liabilities and net assets	<u>\$ 4,521,750</u>	<u>\$ 3,954,883</u>

OIH, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
REVENUE:-		
Commissions	\$ 1,868,636	\$ 1,751,904
Investment income	18,636	8,210
Gain (loss) on disposal of assets	(331)	69
	1,886,941	1,760,183
OPERATING EXPENSES:-		
Salary and wages	1,073,710	1,082,352
Fringe benefits	188,193	180,838
Payroll taxes	87,062	87,004
Consulting and contract labor	38,661	26,775
Accounting and legal	16,021	11,987
Bad debt	600	600
Printing	43,988	39,827
Promotion	30,345	28,365
Travel and auto	90,323	109,940
Office supplies	24,020	23,466
Maintenance	7,192	3,354
Telephone	15,718	17,955
Postage	7,977	7,854
Insurance	5,921	5,768
Rent	98,359	98,448
Depreciation	15,308	17,552
Miscellaneous	5,568	6,445
	1,748,966	1,748,530
Increase in net assets	137,975	11,653
Net assets at beginning of year	1,682,958	1,671,305
Net assets at end of year	\$ 1,820,933	\$ 1,682,958

See Accompanying Notes to Financial Statements

OIH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Increase in unrestricted net assets	\$ 137,975	\$ 11,653
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:-		
Depreciation	15,308	17,552
(Gain) loss on disposal of assets	331	(69)
(Increase) decrease in accounts receivable	(649,602)	(182,414)
(Increase) decrease in prepaid expenses	(8,866)	1,915
Increase (decrease) in accounts payable	320,119	327,302
Increase (decrease) in accrued payroll and payroll taxes	4,410	11,113
Increase (decrease) in other accrued liabilities	14,024	4,573
	(166,301)	191,625
CASH FLOWS FROM INVESTING ACTIVITIES:-		
Advances on notes receivable	(90,339)	0
Payments received on notes receivable	3,625	0
Purchases of property and equipment	(5,292)	(8,380)
Proceeds from sale of assets	0	500
	(92,006)	(7,880)
CASH FLOWS FROM FINANCING ACTIVITIES:-		
Proceeds from bank financing	90,339	0
	90,339	0
Net increase (decrease) in cash and cash equivalents	(167,968)	183,745
Cash and cash equivalents at beginning of year	846,141	662,396
Cash and cash equivalents at end of year	\$ 678,173	\$ 846,141

See Accompanying Notes to Financial Statements

OIH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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. 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 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 No. 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 \$33.1 million during the year ended June 30, 2005 and \$31.1 million during the year ended June 30, 2004 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, 2005 AND 2004

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 \$35,576 and \$35,471 at June 30, 2005 and 2004, 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, 2005 and 2004, 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 71% and 72% of all sales pertained to custodial services for the years ended June 30, 2005 and 2004, 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, OIH 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 customers.

OIH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 4 - NOTE PAYABLE:-

OIH has entered into a loan agreement dated February 2, 2005 with The Huntington National Bank which provides for a commitment of \$150,000 with a total amount borrowed at June 30, 2005 of \$90,339. The loan matures on July 28, 2010. The note requires 6 monthly interest payments beginning February 28, 2005, followed by 60 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. The loan is collateralized by equipment, accounts receivable, and other real and personal property of OIH.

Maturities of long-term debt are as follows:

JUNE 30,	
2006	\$ 27,592
2007	31,749
2008	<u>30,998</u>
	<u>\$ 90,339</u>

NOTE 5 - 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, 2005 are as follows:

2006	\$ 97,500
2007	<u>97,500</u>
	<u>\$ 195,000</u>

NOTE 6 - 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, 2005 AND 2004

NOTE 7 - DESIGNATED FUNDS:-

These funds are designated at June 30, 2005 and 2004 by the Board of Directors for possible contingencies and unforeseen developments. OIH has invested the funds in money market agreements.

NOTE 8 - 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, 2005 and 2004 amounted to \$72,082 and \$44,391, respectively. OIH also has a note receivable balance of \$29,526 due from a related community rehabilitation program at June 30, 2005.

NOTE 9 - 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 February 1, 2005 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.



**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
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, 2005, and have issued our report thereon dated July 29, 2005. 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 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.

COMPLIANCE AND OTHER MATTERS

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*. We noted other matters, which we have reported to management of OIH, Inc. in a separate letter dated July 29, 2005.

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.

Shullbrook & Manton

Certified Public Accountants

July 29, 2005



**Auditor of State
Betty Montgomery**

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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
OCTOBER 4, 2005**