

**OIH, INC.**  
FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002





**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, CPAs for the audit period July 1, 2002 through June 30, 2003. 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

October 8, 2003

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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, 2003 and 2002 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, 2003 and 2002, 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 31, 2003  
Marion, Ohio

**OIH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2003 AND 2002**

**ASSETS**

	<b>2003</b>	<b>2002</b>
<b>CURRENT ASSETS:-</b>		
Cash and cash equivalents	\$ 662,396	\$ 493,261
Accounts receivable - work center sales less allowance for doubtful accounts	2,863,130	3,227,209
Prepaid expenses	35,113	37,156
Total current assets	3,560,639	3,757,626
<b>PROPERTY AND EQUIPMENT:-</b>		
Furniture and equipment	242,000	253,036
Vehicles	0	168,610
Leasehold improvements	30,736	30,736
	272,736	452,382
Accumulated depreciation	( 233,133)	( 402,493)
Total property and equipment	39,603	49,889
<b>Total assets</b>	<b>\$ 3,600,242</b>	<b>\$ 3,807,515</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:-</b>		
Accounts payable - trade	\$ 1,846,149	\$ 2,012,522
Accrued payroll and payroll taxes	4,267	339
Other accrued liabilities	78,521	70,151
Total current liabilities	1,928,937	2,083,012
<b>NET ASSETS - UNRESTRICTED</b>		
Board designated	168,212	166,390
Undesignated	1,503,093	1,558,113
Total net assets	1,671,305	1,724,503
<b>Total liabilities and net assets</b>	<b>\$ 3,600,242</b>	<b>\$ 3,807,515</b>

See Accompanying Notes to Financial Statements



**OIH, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUE:-</b>		
Commissions	\$ 1,641,591	\$ 1,663,774
Investment income	15,702	28,565
	<u>1,657,293</u>	<u>1,692,339</u>
<b>OPERATING EXPENSES:-</b>		
Salary and wages	1,069,534	1,082,322
Fringe benefits	176,751	197,663
Payroll taxes	85,683	86,223
Consulting and contract labor	44,100	25,291
Accounting and legal	12,701	11,410
Bad debt	600	600
Printing	35,034	35,093
Promotion	28,531	22,987
Travel and auto	97,435	40,177
Office supplies	23,317	19,339
Maintenance	2,932	4,537
Telephone	18,011	20,495
Postage	7,894	7,941
Insurance	7,618	15,973
Rent	104,088	105,884
Depreciation	24,768	58,907
Loss (gain) on disposal of assets	( 33,780)	543
Miscellaneous	5,274	8,417
	<u>1,710,491</u>	<u>1,743,802</u>
Total operating expenses	<u>1,710,491</u>	<u>1,743,802</u>
<b>Increase (decrease) in net assets</b>	<b>( 53,198)</b>	<b>( 51,463)</b>
Net assets at beginning of year	<u>1,724,503</u>	<u>1,775,966</u>
Net assets at end of year	<u>\$ 1,671,305</u>	<u>\$ 1,724,503</u>

See Accompanying Notes to Financial Statements

**OIH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>		
Increase (decrease) in unrestricted net assets	\$ ( 53,198)	\$ ( 51,463)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:-		
Depreciation	24,768	58,907
Loss (gain) on disposal of assets	( 33,780)	543
(Increase) decrease in accounts receivable	364,079	( 5,118)
(Increase) decrease in prepaid expenses	2,043	2,538
Increase (decrease) in accounts payable	( 166,373)	59,785
Increase (decrease) in accrued payroll and payroll taxes	3,928	( 112)
Increase (decrease) in other accrued liabilities	8,370	( 3,259)
Net cash provided by operating activities	<b>149,837</b>	<b>61,821</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>		
Purchases of property and equipment	( 14,620)	( 42,160)
Proceeds from sale of assets	33,918	9,209
Net cash used by investing activities	<b>19,298</b>	<b>( 32,951)</b>
Net increase in cash and cash equivalents	<b>169,135</b>	<b>28,870</b>
Cash and cash equivalents at beginning of year	493,261	464,391
Cash and cash equivalents at end of year	<b>\$ 662,396</b>	<b>\$ 493,261</b>

See Accompanying Notes to Financial Statements

**OIH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

**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. 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 relieved 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 \$29.5 million during the year ended June 30, 2002 and \$28.7 million during the year ended June 30, 2001 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, 2003 AND 2002

**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 \$34,788 and \$35,159 at June 30, 2003 and 2002, 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, 2003 and 2002, 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.

Approximately 74% and 72% of all sales pertained to custodial services for the years ended June 30, 2003 and 2002, 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 two operating leases. The office leases expire between June 2003 and June 2004. Future minimum lease payments under non-cancelable operating leases at June 30, 2002 were as follows:

2003	\$ 103,140
2004	<u>9,500</u>
	<u>\$ 112,640</u>

**OIH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

**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, 2003 and 2002 by the Board of Directors 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 Directors 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, 2003 and 2002 amounted to \$43,927 and \$46,758, 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.



**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, 2003, and have issued our report thereon dated July 31, 2003. 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 July 31, 2003.

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.

*Hullbrook & Mantel*

Certified Public Accountants

July 31, 2003  
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  
Facsimile 614-466-4490

**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 6, 2003**