

**OHIO INDUSTRIES FOR THE  
HANDICAPPED, INC.**

FINANCIAL STATEMENTS

June 30, 2000 and 1999



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  
JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
Ohio Industries for the Handicapped, Inc.  
4795 Evanswood Drive, Suite 102  
Columbus, Ohio 43229-6281

We have reviewed the independent auditor's report of the Ohio Industries for the Handicapped, Inc., Franklin County, prepared by Whalen & Company, for the audit period July 1, 1999 through June 30, 2000. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

September 27, 2000

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# WHALEN & COMPANY

Certified Public Accountants

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Board of Trustees  
Ohio Industries for the  
Handicapped, Inc.  
4795 Evanswood Drive, Suite 102  
Columbus, Ohio 43229-6281

## INDEPENDENT AUDITORS REPORT

We have audited the accompanying statements of financial position of Ohio Industries for the Handicapped, Inc. (a not-for-profit corporation) as of June 30, 2000 and 1999 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 generally accepted auditing standards. 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 Ohio Industries for the Handicapped, Inc. as of June 30, 2000 and 1999 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of operating expenses on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Whalen and Company

Whalen and Company  
Certified Public Accountants

August 4, 2000

**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2000 and 1999

	2000	1999
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 454,734	\$ 541,246
Accounts receivable - work center sales less allowance for doubtful accounts (Note 1)	3,248,746	2,943,661
Prepaid expenses	35,424	42,788
<b>TOTAL CURRENT ASSETS</b>	3,738,904	3,527,695
<b>PROPERTY AND EQUIPMENT (Note 1)</b>		
Furniture and equipment	250,941	241,627
Vehicles	168,610	163,054
Leasehold improvements	30,736	30,736
	450,287	435,417
Accumulated depreciation	(315,365)	(290,345)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	134,922	145,072
<b>TOTAL ASSETS</b>	\$ 3,873,826	\$ 3,672,767
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>LIABILITIES</b>		
Accounts payable - trade	\$ 2,085,573	\$ 2,035,481
Accrued payroll and payroll taxes	484	39,624
Other accrued liabilities	56,790	69,690
<b>TOTAL LIABILITIES</b>	2,142,847	2,144,795
<b>NET ASSETS, UNRESTRICTED</b>		
Board designated (Note 4)	154,319	146,277
Undesignated	1,576,660	1,381,695
<b>TOTAL NET ASSETS</b>	1,730,979	1,527,972
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 3,873,826	\$ 3,672,767

See accompanying notes.

**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Years ended June 30, 2000 and 1999

	2000	1999
<b>REVENUE</b>		
Commissions - service and sales (Note 1)	\$ 1,989,515	\$ 2,001,860
Investment income	67,672	59,848
Miscellaneous	1,206	250
	2,058,393	2,061,958
<b>TOTAL REVENUE</b>		
<b>OPERATING EXPENSES</b>	1,855,386	1,888,025
<b>CHANGE IN NET ASSETS</b>	203,007	173,933
<b>NET ASSETS</b>		
Beginning of year	1,527,972	1,354,039
End of year	\$ 1,730,979	\$ 1,527,972

See accompanying notes.

**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.****STATEMENTS OF CASH FLOWS**

Years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 203,007	\$ 173,933
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	66,412	78,101
(Increase) decrease in operating assets:		
Accounts receivable	(305,085)	183,410
Notes receivable		23,456
Prepaid expenses	7,364	(1,397)
Increase (decrease) in operating liabilities:		
Accounts payable	50,093	(582,792)
Accrued liabilities	(12,900)	13,109
Payroll taxes	(39,140)	
	<u>(30,249)</u>	<u>(112,180)</u>
Net Cash Provided (Used) by Operating Activities		
	<u>(30,249)</u>	<u>(112,180)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(56,263)</u>	<u>(81,311)</u>
Net Cash Provided (Used) by Investing Activities	<u>(56,263)</u>	<u>(81,311)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(86,512)	(193,491)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>541,246</u>	<u>734,737</u>
End of year	<u>\$ 454,734</u>	<u>\$ 541,246</u>

See accompanying notes.

**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.**  
NOTES TO FINANCIAL STATEMENTS  
Years ended June 30, 2000 and 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Ohio Industries for the Handicapped, 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.

On January 13, 2000, OIH entered into an operating agreement with the State Committee For the Purchase of Products and Services Provided by Persons with Severe Disabilities (committee). The committee operates the State Use Program within Ohio. OIH was approved as the central nonprofit agency to carry out the intent of Ohio Revised Code Sections 4115.31 through 4115.35 and was issued a certificate effective for the period February 1, 2000 through January 31, 2005 with a renewal option available. The terms and conditions of the agreement include, among other things, compliance with the State Use Program objectives. A commission fee has been established in the operating agreement to be approved annually by the committee.

Most contracts are governed by the State of Ohio State Use Committee and are governed by the State Use Law (Ohio Revised Code Sections 4115.31 - 4115.35).

The Organization accomplishes its mission by marketing products and services manufactured and/or provided by Ohio's community rehabilitation programs. The Organization operates throughout the state of Ohio and is dependent upon the economy of the state.

Basis of Accounting

The accompanying financial statements have been prepared based on the accrual method of accounting, whereby income is recorded when earned and expenses are recorded when incurred.

Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, 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.

Recognition of Revenue

Ohio Industries for the Handicapped, Inc. promotes the sale of products manufactured and services performed by various community rehabilitation programs throughout the state. In order to cover Organization expenses a commission is added to the Community rehabilitation program's cost for products and services sold to the customer. The cost of products and services is paid directly to the community rehabilitation programs within 30 days of receipt of the community rehabilitation program's invoice. For the fiscal years ending June 30, 2000 and 1999, the Organization invoiced approximately \$29 million each year of community rehabilitation program sales.



**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.**  
NOTES TO FINANCIAL STATEMENTS  
Years ended June 30, 2000 and 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Property and equipment are recorded at cost. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to eight years. Leasehold improvements are being amortized over the term of the lease. Depreciation expense for the fiscal years ended June 30, 2000 and 1999 is \$66,412 and \$78,101, respectively

Accounts Receivable

Accounts receivable are shown at their net realizable value. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible. The allowance for doubtful accounts was \$35,359 and \$29,477 at June 30, 2000 and 1999, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

Statement of Cash Flows

For the purposes of this statement, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations

The Organization maintains cash balances at one bank consisting of demand deposit and money market accounts. The amounts in these accounts are insured up to \$100,000 by the FDIC. Amounts in excess of insured limits were \$2,527,417 and \$2,412,550 at June 30, 2000 and 1999, respectively.

Approximately 75% and 73% of all sales are derived from custodial services for the years ended June 30, 2000 and 1999, respectively. Approximately 44% of all revenues for the years ended June 30, 2000 and 1999 were from one customer, the Ohio Department of Transportation.

Accounts receivable arises in the normal course of business and are not secured.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.**  
 NOTES TO FINANCIAL STATEMENTS  
 Years ended June 30, 2000 and 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ODOT Work Center Audits

The Organization is required by ODOT to undergo an audit process of various contracts with Community rehabilitation programs. The results of these audits may create a potential refund (account receivable) or payment obligation (account payable) between the Organization, ODOT, and the community rehabilitation programs. OIH permits any repayment from community rehabilitation programs to be paid over a twelve-month period with no interest charged. The assets and/or liabilities resulting from the audits has been reflected in the financial statements of OIH at June 30, 2000 and 1999 under the accrual method of accounting.

NOTE 2 – OPERATING LEASES

The Organization leases three office spaces under various operating leases. The office leases expire between April 2000 and April 2002. One of the three leases was renewed in April 1999 for three years. Another lease was renewed in June 2000 for one year.

Future minimum payments under noncancellable operating leases with initial or remaining terms of one year or more consists of the following:

<u>June 30,</u>	<u>Amount</u>
2001	\$ 111,623
2002	<u>3,672</u>
	<u>\$ 115,295</u>

For the years ended June 30, 2000 and 1999, total rent expense for office space was \$114,845 and \$116,429, respectively.

NOTE 3 - RETIREMENT PLAN

The Organization 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. Employees may contribute up to the lesser of twenty percent of their gross annual earnings or \$10,000.

NOTE 4 - DESIGNATED FUNDS

These funds are designated at June 30, 2000 and 1999 by the Board of Trustees for possible contingencies and unforeseen problems. The Organization has invested the funds in money market agreements.

**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.**  
NOTES TO FINANCIAL STATEMENTS  
Years ended June 30, 2000 and 1999

NOTE 5 - RELATED PARTY TRANSACTIONS

Auditing standards require that related party transactions be disclosed. A few members of the Board of Trustees are also associated with community rehabilitation programs that perform services for the Organization. Purchases by the Organization from these community rehabilitation programs were \$0 and \$877,378 for the years ended June 30, 2000 and 1999, respectively. All community rehabilitation programs are subject to the same criteria selection process for contracts. The participation of the community rehabilitation programs is considered important to the function of the Board.

NOTE 6 - STATE USE COMMITTEE

Most of the Organization's contracts are with the State of Ohio. The State of Ohio created the State Use Committee with duties to determine the price of all products manufactured and services provided by persons with severe disabilities, and offered for sale to state agencies, political subdivisions, or instrumentalities of the State that the committee determines are suitable for use.

## **SUPPLEMENTAL INFORMATION**

**OHIO INDUSTRIES FOR THE HANDICAPPED, INC.**  
**SCHEDULE I - STATEMENT OF OPERATING EXPENSES**  
Years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Management and General:		
Salary and wages	\$ 1,144,589	\$ 1,126,114
Fringe benefits	186,062	163,134
Payroll taxes	95,057	92,330
Consulting and contract labor	28,481	55,337
Accounting and legal	24,968	11,128
Work center audit fees		25,000
Bad debt expense	6,000	1,200
Printing	35,701	54,487
Promotion	25,674	35,639
Travel and auto	44,220	46,646
Office supplies	25,270	27,211
Maintenance	5,925	6,191
Telephone	25,811	24,561
Postage	8,852	9,562
Insurance	14,021	14,049
Rent	109,143	110,445
Miscellaneous	9,200	6,890
	<u>1,788,974</u>	<u>1,809,924</u>
Depreciation	<u>66,412</u>	<u>78,101</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 1,855,386</u></u>	<u><u>\$ 1,888,025</u></u>

See accompanying notes.



**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  
OCTOBER 10, 2000**