

# **Columbus Speech and Hearing Center**

Financial Report  
December 31, 2010

## Contents

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Independent Auditor's Report	1
<hr/>	
Financial Statements	
Statements of financial position	2-3
Statements of activities and changes in net assets	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to the financial statements	9-13

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### **Independent Auditor's Report**

To the Board of Directors  
Columbus Speech and Hearing Center  
Columbus, Ohio

We have audited the accompanying statements of financial position of Columbus Speech and Hearing Center (the Center) as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 audits 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 Columbus Speech and Hearing Center as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

May 26, 2011  
Columbus, Ohio

# Columbus Speech and Hearing Center

## Statements of Financial Position

December 31, 2010 and 2009

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current Assets		
Cash and cash equivalents	\$ 583,732	\$ 612,430
Receivables:		
Clients	536,248	289,902
United Way	151,639	173,500
Grants and contributions	4,050	950
Other	7,680	3,783
	<u>699,617</u>	<u>468,135</u>
Less allowance for doubtful accounts and contractual allowances	<u>(88,169)</u>	<u>(46,104)</u>
<b>Net receivables</b>	<u>611,448</u>	<u>422,031</u>
Other Current Assets		
Prepays	63,840	48,872
Inventory	6,786	21,379
	<u>70,626</u>	<u>70,251</u>
<b>Total current assets</b>	<u>1,265,806</u>	<u>1,104,712</u>
Property and equipment, net	<u>2,811,484</u>	<u>3,023,574</u>
Other Assets		
Deposits and other assets	<u>7,524</u>	<u>5,285</u>
<b>Total assets</b>	<u>\$ 4,084,814</u>	<u>\$ 4,133,571</u>

<b>Liabilities and Net Assets</b>	<b>2010</b>	<b>2009</b>
Liabilities		
Accounts payable and accrued liabilities	\$ 243,263	\$ 192,817
Deferred revenue	18,712	8,106
Notes payable - current	55,000	50,000
<b>Total current liabilities</b>	<b>316,975</b>	<b>250,923</b>
Notes Payable, Noncurrent	<b>800,000</b>	<b>855,000</b>
Net Assets		
Unrestricted - operating	2,766,111	2,793,731
Unrestricted - board designated	15,052	15,037
Temporarily restricted	186,676	218,880
<b>Total net assets</b>	<b>2,967,839</b>	<b>3,027,648</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,084,814</b>	<b>\$ 4,133,571</b>

See Notes to Financial Statements.

## Columbus Speech and Hearing Center

### Statement of Activities and Changes in Net Assets Year Ended December 31, 2010

	Temporarily		
	Unrestricted	Restricted	Total
Public support:			
United Way funds	\$ 150,043	\$ 151,639	\$ 301,682
Contributions and grants	617,846	44,155	662,001
<b>Total public support</b>	<b>767,889</b>	<b>195,794</b>	<b>963,683</b>
Revenue:			
State of Ohio Rehabilitation Services Commission	592,735	-	592,735
Clinic fees	2,272,629	-	2,272,629
Hearing aid and assistive listening device sales	1,065,807	-	1,065,807
Building rental	95,250	-	95,250
Investment income	2,274	-	2,274
Other income	18,512	-	18,512
<b>Total revenue</b>	<b>4,047,207</b>	<b>-</b>	<b>4,047,207</b>
Net assets released from restrictions:			
Satisfaction of time restrictions	173,500	(173,500)	-
Satisfaction of program restrictions	54,498	(54,498)	-
<b>Total net assets released from restrictions</b>	<b>227,998</b>	<b>(227,998)</b>	<b>-</b>
<b>Total public support and revenue</b>	<b>5,043,094</b>	<b>(32,204)</b>	<b>5,010,890</b>
Expenses			
Program services	4,696,144	-	4,696,144
Supporting services - management and general	297,725	-	297,725
Fund raising	76,830	-	76,830
<b>Total expenses</b>	<b>5,070,699</b>	<b>-</b>	<b>5,070,699</b>
<b>Change in net assets</b>	<b>(27,605)</b>	<b>(32,204)</b>	<b>(59,809)</b>
Net Assets, beginning	2,808,768	218,880	3,027,648
Net Assets, end	<b>\$ 2,781,163</b>	<b>\$ 186,676</b>	<b>\$ 2,967,839</b>

See Notes to Financial Statements.

## Columbus Speech and Hearing Center

### Statement of Activities and Changes in Net Assets Year Ended December 31, 2009

	Temporarily		
	Unrestricted	Restricted	Total
Public support:			
United Way funds	\$ 173,604	\$ 173,500	\$ 347,104
Contributions and grants	422,719	68,752	491,471
<b>Total public support</b>	<b>596,323</b>	<b>242,252</b>	<b>838,575</b>
Revenue:			
State of Ohio Rehabilitation Services Commission	719,469	-	719,469
Clinic fees	2,124,251	-	2,124,251
Hearing aid and assistive listening device sales	1,062,928	-	1,062,928
Building rental	94,530	-	94,530
Investment income	3,072	-	3,072
Other income	73,348	-	73,348
<b>Total revenue</b>	<b>4,077,598</b>	<b>-</b>	<b>4,077,598</b>
Net assets released from restrictions:			
Satisfaction of time restrictions	184,685	(184,685)	-
Satisfaction of program restrictions	75,731	(75,731)	-
<b>Total net assets released from restrictions</b>	<b>260,416</b>	<b>(260,416)</b>	<b>-</b>
<b>Total public support and revenue</b>	<b>4,934,337</b>	<b>(18,164)</b>	<b>4,916,173</b>
Expenses			
Program services	4,743,579	-	4,743,579
Supporting services - management and general	290,725	-	290,725
Fund raising	72,866	-	72,866
<b>Total expenses</b>	<b>5,107,170</b>	<b>-</b>	<b>5,107,170</b>
<b>Change in net assets</b>	<b>(172,833)</b>	<b>(18,164)</b>	<b>(190,997)</b>
Net Assets, beginning	2,981,601	237,044	3,218,645
Net Assets, end	<b>\$ 2,808,768</b>	<b>\$ 218,880</b>	<b>\$ 3,027,648</b>

See Notes to Financial Statements.

## Columbus Speech and Hearing Center

### Statement of Functional Expenses Year Ended December 31, 2010

	Program Services	Management & General	Fund Raising	Total
Salaries and wages	\$ 2,991,140	\$ 182,386	\$ 44,250	\$ 3,217,776
Payroll taxes	231,945	13,345	3,046	248,336
Employee benefits	226,175	17,887	2,661	246,723
<b>Total compensation</b>	<b>3,449,260</b>	<b>213,618</b>	<b>49,957</b>	<b>3,712,835</b>
Hearing aid and assistive listening devices	423,788	-	-	423,788
Conferences, meetings and staff development	3,961	409	261	4,631
Office rent	9,260	-	-	9,260
Bad debts	21,600	-	-	21,600
Consulting, legal and accounting	64,111	21,691	950	86,752
Printing	9,009	2,521	600	12,130
Telephone	19,101	1,936	358	21,395
Supplies	50,154	3,103	169	53,426
Utilities	77,918	8,658	-	86,576
Maintenance, building and grounds	96,231	10,581	-	106,812
Postage and shipping	15,502	1,813	346	17,661
Public relations and development	4,893	343	20,524	25,760
Process and service fees	43,048	3,583	-	46,631
Equipment repair	54,596	3,495	1,805	59,896
Insurance	35,095	3,865	181	39,141
Transportation	38,985	443	195	39,623
Interest	20,709	2,301	-	23,010
Miscellaneous	5,709	1,069	541	7,319
Dues and subscriptions	12,338	85	54	12,477
<b>Total expenses before depreciation, loss on disposal of property and equipment, and income tax</b>	<b>4,455,268</b>	<b>279,514</b>	<b>75,941</b>	<b>4,810,723</b>
Depreciation of property and equipment	239,018	12,778	889	252,685
Loss on disposal of property and equipment	1,858	206	-	2,064
Income taxes	-	5,227	-	5,227
<b>Total expenses</b>	<b>\$ 4,696,144</b>	<b>\$ 297,725</b>	<b>\$ 76,830</b>	<b>\$ 5,070,699</b>
Percentage of total expenses	93%	6%	1%	100%

See Notes to Financial Statements.

## Columbus Speech and Hearing Center

### Statement of Functional Expenses Year Ended December 31, 2009

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries and wages	\$ 2,983,314	\$ 177,805	\$ 41,597	\$3,202,716
Payroll taxes	241,286	15,445	3,135	259,866
Employee benefits	222,993	16,485	2,285	241,763
<b>Total compensation</b>	<b>3,447,593</b>	<b>209,735</b>	<b>47,017</b>	<b>3,704,345</b>
Hearing aid and assistive listening devices	414,553	-	-	414,553
Conferences, meetings and staff development	2,100	106	6	2,212
Office rent	25,530	-	-	25,530
Bad debts	3,513	-	-	3,513
Consulting, legal and accounting	69,186	19,302	-	88,488
Printing	8,476	1,594	239	10,309
Telephone	28,069	2,788	560	31,417
Supplies	59,940	3,236	333	63,509
Utilities	72,662	8,074	-	80,736
Maintenance, building and grounds	93,685	10,354	-	104,039
Postage and shipping	16,470	1,724	41	18,235
Public relations and development	9,000	826	19,363	29,189
Process and service fees	49,521	4,290	10	53,821
Equipment repair	57,367	3,869	2,180	63,416
Insurance	34,833	3,816	178	38,827
Transportation	39,123	410	184	39,717
Interest	35,420	3,936	-	39,356
Miscellaneous	7,177	1,169	474	8,820
Dues and subscriptions	18,820	1,835	1,331	21,986
<b>Total expenses before depreciation</b>	<b>4,493,038</b>	<b>277,064</b>	<b>71,916</b>	<b>4,842,018</b>
Depreciation of property and equipment	250,541	13,661	950	265,152
<b>Total expenses</b>	<b>\$ 4,743,579</b>	<b>\$ 290,725</b>	<b>\$ 72,866</b>	<b>\$5,107,170</b>
Percentage of total expenses	93%	6%	1%	100%

See Notes to Financial Statements.

## Columbus Speech and Hearing Center

### Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (59,809)	\$ (190,997)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	252,685	265,152
Realized loss on sales of investments	-	599
Loss on disposal of property and equipment	2,064	2,180
Provision for loss on receivables	42,065	(6,313)
Donated investments	-	(2,395)
Change in:		
Program and other accounts receivable	(231,482)	73,699
Other assets	(2,614)	8,844
Accounts payable and accrued liabilities	50,446	12,696
Deferred revenue	10,606	(13,496)
<b>Net cash provided by operating activities</b>	<b>63,961</b>	<b>149,969</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(42,659)	(67,832)
Proceeds on sale of investments	-	148,325
<b>Net cash provided by (used in) investing activities</b>	<b>(42,659)</b>	<b>80,493</b>
<b>Cash Flows from Financing Activities</b>		
Repayments of notes payable	(50,000)	(50,000)
<b>Net cash used in financing activities</b>	<b>(50,000)</b>	<b>(50,000)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(28,698)	180,462
Cash and Cash Equivalents, beginning	612,430	431,968
Cash and Cash Equivalents, end	\$ 583,732	\$ 612,430
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the years for:		
Interest	\$ 23,010	\$ 39,356

See Notes to Financial Statements.

# Columbus Speech and Hearing Center

## Notes to the Financial Statements

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### Note 1. Organization and Summary of Significant Accounting Policies

**Organization and Background:** The Columbus Speech and Hearing Center (the Center), founded in 1923, is a nonprofit agency which provides services to people of all ages who are deaf, deaf-blind or who may have communication disorders related to speech or hearing impairment. The Center serves clients throughout Ohio and is funded through billings for services or products and grants from third party agencies.

**Use of estimates:** The accounting and reporting policies of the Center conform to accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Financial statement presentation:** Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

- Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. At December 31, 2010 and 2009, \$15,052 and \$15,037, respectively, has been designated by the Center's board as an operating reserve.
- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.
- Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Center. Generally, the donor of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. The Center did not have any permanently restricted net assets at December 31, 2010 or 2009.

**Cash and cash equivalents:** For purposes of the statement of cash flows, the Center considers all investments with an original maturity date of three months or less to be cash equivalents.

**Accounts receivable:** The Center asks for co-pay or full fee at time of service from individuals. The Center follows up on insurance claims after 60 days. If the insurance claim is denied, the amount is due immediately from the individual.

Management estimates an allowance for doubtful accounts and contractual allowances, which amounted to \$88,169 and \$46,104 as of December 31, 2010 and 2009, respectively. The estimate is based upon management's review of delinquent accounts and an assessment of the Center's historical evidence of collections. Bad debt expense of \$21,600 and \$3,513 was recognized for the years ended December 31, 2010 and 2009, respectively. Specific accounts are charged directly to the reserve when management obtains evidence of a customer's insolvency or otherwise determines the account is uncollectible.

**Property and equipment:** Property and equipment are recorded at cost, less accumulated depreciation and amortization. Provisions for depreciation and amortization are computed using the straight-line method based on estimated useful lives of 5-30 years for buildings and improvements, 10 years for program, office and mobile equipment and 3 years for computer equipment. Leasehold improvements are amortized over the lesser of the lease term or the estimated life of the asset.

The Center capitalizes the cost of all property and equipment additions in excess of \$500; the fair value of donated property and equipment is similarly capitalized. When property and equipment is sold or retired, the cost and related accumulated depreciation is removed from the accounts.

# Columbus Speech and Hearing Center

## Notes to the Financial Statements

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### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

**Impairment of long-lived assets:** The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Measurement of any impairment would include a comparison of estimated undiscounted future cash flows to be generated during the remaining life of the asset to its net carrying value. The Center believes the carrying values of all long-lived assets at December 31, 2010 and 2009 are recoverable.

**Fair value of financial instruments:** The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short term nature of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates.

**Concentration of credit risk:** The Center places its cash with financial institutions, and has cash on deposit from time to time in one financial institution in excess of insurance coverage provided by the Federal Deposit Insurance Corporation. The finance committee periodically reviews and approves the selection of financial institutions. The Center continually monitors these balances to minimize the risk of loss.

**Revenue recognition:** The Center records contributions received as revenue in the year pledged. These amounts are recorded at their fair values. The Center reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted support. The Center reports contributions of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grant support is recognized over the grant period. Grants received under cost-reimbursement programs are recognized to the extent expenses are incurred. Grants received in advance of grant periods are recorded as deferred revenue until the services are performed. Grant revenue is recorded as unrestricted revenue when the grantor restrictions are met in the same reporting period.

Revenue from clinic fees is recognized when the services are performed. Revenue from the sale of hearing aids and assistive listening devices is recognized upon delivery to the patient.

**Donated services and assets:** Contributed services are recorded when they meet the criteria of (1) creating or enhancing nonfinancial assets, or, (2) requiring specialized skills, and provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services were estimated for the years ended December 31, 2010 and 2009 at \$5,000 and \$8,022, respectively, and are recorded as contributions and fundraising service expenses in the statements of activities.

**Advertising:** The Center's advertising efforts are associated with nondirect-response programs. The costs are expensed as incurred. The Center had no advertising expenses for the year ended December 31, 2010. The Center expensed \$2,171 for the year ended December 31, 2009.

**Functional expenses:** The Center allocates its expenses on a functional basis among its various programs and support services. Expenses are allocated either directly according to their natural expenditure classification or by various statistical bases.

# Columbus Speech and Hearing Center

## Notes to the Financial Statements

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### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

**Tax exempt status:** The Center is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, the Center is taxed on other unrelated income, if any exists. Currently, the only unrelated business income is lease income.

The Center follows Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2010 and 2009, there were no material unrecognized tax benefits identified or recorded as liabilities.

The Center files forms 990 and 990T in the U.S. federal jurisdiction. With few exceptions, the Center is no longer subject to examination by the Internal Revenue Service for years before 2007.

**Reclassifications:** Certain 2009 balances have been reclassified to conform with the 2010 presentation.

**Subsequent events:** The Center has evaluated subsequent events for potential recognition and/or disclosure through May 26, 2011, the date the financials were available to be issued.

### Note 2. Property and Equipment

Property and equipment consisted of the following at December 31:

	2010	2009
Land	\$ 240,000	\$ 240,000
Building and improvements	4,446,315	4,455,007
Leasehold improvements	-	53,836
Program equipment	418,732	467,848
Office equipment	764,285	858,609
Construction in progress	9,206	-
	<u>5,878,538</u>	<u>6,075,300</u>
Less: accumulated depreciation and amortization	(3,067,054)	(3,051,726)
Net property and equipment	<u>\$ 2,811,484</u>	<u>\$ 3,023,574</u>

### Note 3. Notes Payable

Notes payable consisted of the following at December 31:

	2010	2009
Revenue bonds payable with interest based on tax exempt variable rates.	\$ 855,000	\$ 905,000
Less current maturities	55,000	50,000
	<u>\$ 800,000</u>	<u>\$ 855,000</u>

# Columbus Speech and Hearing Center

## Notes to the Financial Statements

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### Note 3. Notes Payable (Continued)

Following are maturities of long-term debt for each of the next five years:

2011	\$	55,000
2012		55,000
2013		60,000
2014		60,000
2015		70,000
Thereafter		555,000
	\$	<u>855,000</u>

In March 2002, the Center entered into tax-exempt bonds issued by Franklin County and Fifth Third Bank in the amount of \$1,200,000, maturing through 2022. The bonds are Health Care Facilities Revenue Bonds with interest based on tax exempt variable rates which was .79% and .85% at December 31, 2010 and 2009, respectively. The bonds are secured by a letter of credit that expires in April 2013. Additionally, the bonds are collateralized by the Center's building.

The Center has an available line of credit agreement in the amount of \$500,000. The outstanding balance on this line of credit was \$0 at December 31, 2010 and 2009, and interest is payable on the outstanding balance monthly at the prime rate (3.25% at December 31, 2010 and 2009). The agreement matures June 13, 2012, and is collateralized by the current assets of the Center.

### Note 4. Employee Benefit Plans

The Center maintains a 401(k) plan (the Plan) for eligible employees. Employees are eligible to participate in the Plan at the time of hire. Employees are eligible for employer contributions after completing one year of service and providing at least 1,000 hours. Participants become fully vested in employer contributions after three years. Contributions are generally made by the Center annually and are made at management's discretion. The Center made no contributions to the Plan in 2010 and 2009.

### Note 5. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2010	2009
United Way allocations not yet received	\$ 151,639	\$ 173,500
Various programs	35,037	45,300
	<u>\$ 186,676</u>	<u>\$ 218,800</u>

### Note 6. Special Events

The Center annually sponsors one major fund raising event. Contributions and grants include revenue of \$55,402 and \$42,431 for 2010 and 2009, respectively. Total expenses associated with the event, including in-kind expenses were \$20,067 and \$18,363 for 2010 and 2009, respectively.

## **Columbus Speech and Hearing Center**

### **Notes to the Financial Statements**

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#### **Note 7. Related Party Transactions**

A member of the board of directors is also the president of a company that the Center contracted with to complete renovations to Center's operating facility. The Center paid the related party \$117,316 in 2009 as consideration for these services. After due diligence and review, with the related party recused from the discussion, the board of directors approved this expenditure. There were no related party transactions in 2010.