

# Columbus Speech and Hearing Center

Financial Report  
12.31.2007

**McGladrey & Pullen**  
Certified Public Accountants

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Trustees  
**Columbus Speech and Hearing Center**  
Columbus, Ohio

We have audited the accompanying statement of financial position of **Columbus Speech and Hearing Center** (the Center) as of December 31, 2007 and the related statement of activities, functional expenses and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the 2006 financial statements which were audited by other auditors. Their report dated May 9, 2007, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of **Columbus Speech and Hearing Center** as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Columbus, Ohio  
May 14, 2008



Columbus Speech and Hearing Center

Statements of Financial Position  
December 31, 2007 (With Comparative Totals for 2006)

	2007	2006 Comparative Totals
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 468,290	\$ 750,981
Investments	187,273	89,663
Receivables:		
Clients	320,533	351,464
United Way	232,349	230,049
Grants and contributions	20,000	5,000
Other	4,332	692
	<u>577,214</u>	<u>587,205</u>
Less allowance for doubtful accounts and contractual allowances	(45,440)	(48,168)
<b>Net receivables</b>	<u>531,774</u>	<u>539,037</u>
<b>Other Current Assets</b>		
Prepays	108,563	116,865
Inventory	28,984	34,926
	<u>137,547</u>	<u>151,791</u>
<b>Total current assets</b>	<u>1,324,884</u>	<u>1,531,472</u>
<b>Property and Equipment</b>		
Land	240,000	240,000
Building and improvements	4,265,650	4,241,114
Leasehold improvements	53,836	53,836
Program equipment	430,863	391,205
Office equipment	815,778	754,483
Capital in progress	-	27,460
	<u>5,806,127</u>	<u>5,708,098</u>
Accumulated depreciation	(2,529,133)	(2,292,041)
<b>Net property and equipment</b>	<u>3,276,994</u>	<u>3,416,057</u>
<b>Other Assets</b>		
Deposits and other assets	10,843	11,331
	<u>10,843</u>	<u>11,331</u>
<b>Total assets</b>	<u>\$ 4,612,721</u>	<u>\$ 4,958,860</u>



	2007	2006 Comparative Totals
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 195,960	\$ 231,382
Deferred revenue	14,312	-
Notes payable - current	45,000	45,000
<b>Total current liabilities</b>	<u>255,272</u>	<u>276,382</u>
Notes Payable, Noncurrent	<u>955,000</u>	<u>1,000,000</u>
<b>Net Assets</b>		
Unrestricted - operating	3,085,733	3,275,791
Unrestricted - board designated	14,632	13,932
Temporarily restricted	302,084	392,755
<b>Total net assets</b>	<u>3,402,449</u>	<u>3,682,478</u>
<b>Total liabilities and net assets</b>	<u>\$ 4,612,721</u>	<u>\$ 4,958,860</u>

See Notes to Financial Statements.



Columbus Speech and Hearing Center

Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2007 (With Comparative Totals for 2006)

	2007			2006
	Unrestricted	Temporarily Restricted	Total	Comparative Totals
Public support:				
United Way funds	\$ -	\$ 464,699	\$ 464,699	\$ 460,098
Contributions and grants	672,474	81,687	754,161	836,393
<b>Total public support</b>	<b>672,474</b>	<b>546,386</b>	<b>1,218,860</b>	<b>1,296,491</b>
Revenue:				
State of Ohio Rehabilitation Services Commission	1,110,122	-	1,110,122	1,035,008
Clinic fees	1,675,640	-	1,675,640	1,781,313
Hearing aid and assistive listening device sales	1,075,245	-	1,075,245	1,018,975
Building rental	141,408	-	141,408	140,930
Investment income	30,424	-	30,424	32,731
Other income	21,368	-	21,368	28,457
<b>Total revenue</b>	<b>4,054,207</b>	<b>-</b>	<b>4,054,207</b>	<b>4,037,414</b>
Net assets released from restrictions:				
Satisfaction of time restrictions	462,399	(462,399)	-	-
Satisfaction of program restrictions	174,658	(174,658)	-	-
<b>Total net assets released from restrictions</b>	<b>637,057</b>	<b>(637,057)</b>	<b>-</b>	<b>-</b>
<b>Total public support and revenue</b>	<b>5,363,738</b>	<b>(90,671)</b>	<b>5,273,067</b>	<b>5,333,905</b>
Expenses				
Program services	4,794,466	-	4,794,466	4,590,593
Supporting services - management and general	344,405	-	344,405	334,441
Fund raising	414,225	-	414,225	436,707
<b>Total expenses</b>	<b>5,553,096</b>	<b>-</b>	<b>5,553,096</b>	<b>5,361,741</b>
<b>Change in net assets</b>	<b>(189,358)</b>	<b>(90,671)</b>	<b>(280,029)</b>	<b>(27,836)</b>
Net Assets, beginning	3,289,723	392,755	3,682,478	3,710,314
Net Assets, end	<b>\$ 3,100,365</b>	<b>\$ 302,084</b>	<b>\$ 3,402,449</b>	<b>\$ 3,682,478</b>

See Notes to Financial Statements.



Columbus Speech and Hearing Center

Statement of Functional Expenses

Year Ended December 31, 2007 (With Comparative Totals for 2006)

	2007			Total	2006
	Program Services	Management & General	Fund Raising		Comparative Totals
Salaries and wages	\$ 2,834,518	\$ 203,006	\$ 64,392	\$ 3,101,916	\$ 2,965,932
Payroll taxes	207,717	14,574	4,826	227,117	214,985
Employee benefits	299,520	30,843	9,080	339,443	357,230
<b>Total compensation</b>	<b>3,341,755</b>	<b>248,423</b>	<b>78,298</b>	<b>3,668,476</b>	<b>3,538,147</b>
Hearing aid and assistive listening devices	462,395	-	-	462,395	427,464
Conferences, meeting and staff development	25,500	2,079	320	27,899	27,532
Office rent	23,303	-	-	23,303	28,324
Bad debts	-	-	3,065	3,065	7,142
Consulting, legal and accounting	80,852	27,358	17,982	126,192	144,189
Printing	16,862	2,889	520	20,271	9,528
Telephone	33,226	3,279	660	37,165	44,767
Supplies	82,021	3,956	112	86,089	47,595
Utilities	62,119	6,902	-	69,021	72,447
Maintenance, building and grounds	93,421	8,058	2,306	103,785	82,166
Postage and shipping	19,340	2,131	257	21,728	20,508
Public relations and development	46,287	5,491	307,619	359,397	356,959
Process and service fees	38,845	3,682	-	42,527	32,077
Equipment repair	59,854	3,910	1,449	65,213	65,733
Insurance	36,595	4,031	188	40,814	43,295
Transportation	60,271	412	169	60,852	59,407
Interest	47,152	5,239	-	52,391	58,173
Miscellaneous	20,547	2,087	195	22,829	25,887
Dues and subscriptions	19,672	1,848	650	22,170	19,533
<b>Total expenses before depreciation and income tax</b>	<b>4,570,017</b>	<b>331,775</b>	<b>413,790</b>	<b>5,315,582</b>	<b>5,110,873</b>
Depreciation of property and equipment	224,449	12,210	435	237,094	261,361
Gain on sale of property and equipment	-	-	-	-	(10,913)
Income tax	-	420	-	420	420
<b>Total expenses</b>	<b>\$ 4,794,466</b>	<b>\$ 344,405</b>	<b>\$ 414,225</b>	<b>\$ 5,553,096</b>	<b>\$ 5,361,741</b>
Percentage of total expenses	86%	6%	8%	100%	100%

See Notes to Financial Statements.



Columbus Speech and Hearing Center

Statements of Cash Flows

Year Ended December 31, 2007 (With Comparative Totals for 2006)

	2007	2006 Comparative Totals
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (280,029)	\$ (27,836)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	237,094	261,361
Gain on sale of property and equipment	-	(10,913)
Realized loss on sales of investments	125	55
Unrealized (gain) loss on investments	1,389	(4,143)
Provision for loss on receivables	(2,728)	(3,726)
Donated investments	(3,770)	(3,460)
Donated property and equipment	-	(17,300)
Change in:		
Program and other accounts receivable	9,991	157,797
Other assets	14,732	(10,658)
Accounts payable and accrued liabilities	(35,422)	53,775
Deferred revenue	14,312	(17,717)
<b>Net cash provided by (used in) operating activities</b>	<u>(44,306)</u>	<u>377,235</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(98,031)	(132,484)
Proceeds on sale of property and equipment	-	13,500
Purchase of investments	(189,000)	-
Proceeds on sale of investments	93,646	60,405
Decrease in restricted cash	-	7,564
<b>Net cash used in investing activities</b>	<u>(193,385)</u>	<u>(51,015)</u>
<b>Cash Flows from Financing Activities</b>		
Repayments of notes payable	(45,000)	(40,000)
<b>Net cash used in financing activities</b>	<u>(45,000)</u>	<u>(40,000)</u>



	2007	2006 Comparative Totals
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (282,691)	\$ 286,220
Cash and Cash Equivalents, beginning	<u>750,981</u>	<u>464,761</u>
Cash and Cash Equivalents, end	<u>\$ 468,290</u>	<u>\$ 750,981</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the years for:		
Interest	<u>\$ 52,391</u>	<u>\$ 58,173</u>
Income taxes	<u>\$ 420</u>	<u>\$ 420</u>

See Notes to Financial Statements.



**Note 1. Summary of Significant Accounting Policies**

**Organization and Background:**

The Columbus Speech and Hearing Center (the Center), founded in 1923, is a private 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. During 2002, the Center began soliciting funds and earmarking proceeds from a fundraising campaign to be invested in an Endowment. At December 31, 2007 and 2006, \$14,632 and \$13,932, respectively, has been received by the Center for this Endowment which is classified as board designated net assets at year end.
- 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. (See Note 6.)
- 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, 2007 and 2006.

**Comparative Information:**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2006, from which the summarized information was derived.



**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 \$45,440 and \$48,168 as of December 31, 2007 and 2006, respectively. The estimate is based upon management's review of delinquent accounts and an assessment of the Company's historical evidence of collections. Bad debt expense of \$3,065 and \$7,142 was recognized for the years ended December 31, 2007 and 2006, 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.

**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 maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates.

**Property and Equipment:**

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. Depreciation expense is 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. When property and equipment is sold or retired, the cost and related accumulated depreciation is removed from the accounts.

**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, 2007 are recoverable.



**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, 2007 and 2006 at \$187,474 and \$188,740, 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 expensed \$14,118 and \$15,385 for the years ended December 31, 2007 and 2006, respectively.

**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.

**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.



## Columbus Speech and Hearing Center

### Notes to the Financial Statements

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#### Recent Accounting Pronouncements:

In September 2006, Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements* was issued and is effective for years beginning after November 15, 2007. SFAS No. 157 defines fair value, establishes framework for measuring fair value and expands disclosures about fair value measurements. The Center is currently evaluating the impact that SFAS No. 157 will have on its financial position and results of activities.

In February 2007, SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of SFAS No. 115* was issued and is also effective for years beginning after November 15, 2007. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Center is currently evaluating the impact that SFAS No. 159 will have on its financial position and results of activities.

#### Note 2. Investments

The Center follows SFAS No. 124 "Accounting for Certain Investments Held by Not-For-Profit Organizations", which requires that all investments in equity and debt securities be measured at fair value in the statement of financial position with unrealized gains and losses recorded in the statement of activities as changes in net assets.

Following is a summary of investments as of December 31:

	2007		2006	
	Fair Value	Cost	Fair Value	Cost
Certificate of deposit	\$ 99,163	\$ 99,000	\$ -	\$ -
Corporate bonds	88,110	91,659	89,663	91,659
Total	<u>\$ 187,273</u>	<u>\$ 190,659</u>	<u>\$ 89,663</u>	<u>\$ 91,659</u>

Investment income in the statements of activities consists of the following for the years ended December 31:

	2007	2006
Interest and dividend income	\$ 31,938	\$ 28,643
Realized loss on sale of investments	(125)	(55)
Unrealized gains (losses) on investments	(1,389)	4,143
	<u>\$ 30,424</u>	<u>\$ 32,731</u>

#### Note 3. 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 2007 and 2006.



Columbus Speech and Hearing Center

Notes to the Financial Statements

**Note 4. Notes Payable**

Notes payable consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Bonds payable to Fifth Third Bank. The bonds are revenue bonds with interest based on tax exempt variable rates.	\$ 1,000,000	\$ 1,045,000
	<u>1,000,000</u>	<u>1,045,000</u>
Less current maturities	45,000	45,000
	<u>\$ 955,000</u>	<u>\$ 1,000,000</u>

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

2008	\$ 45,000
2009	50,000
2010	50,000
2011	55,000
Thereafter	800,000
	<u>\$ 1,000,000</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 3.46% and 3.99% at December 31, 2007 and 2006, respectively. The bonds are secured by a letter of credit that expires in April 2010. 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, 2007 and 2006, and interest is payable on the outstanding balance monthly at the prime rate. The agreement matures annually on April 30, and is collateralized by the assets of the Center. Subsequent to year-end, the line of credit agreement was extended with a maturity date of June 15, 2009.

**Note 5. Lease Commitments**

The Center leases certain equipment and office space under the terms of various operating lease agreements. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2007 for each year through expiration are as follows:

2008	\$ 23,565
2009	24,089
2010	8,117
	<u>\$ 55,771</u>

Rental expense for all leased items in 2007 and 2006 totaled \$23,303 and \$28,324, respectively.



Columbus Speech and Hearing Center

Notes to the Financial Statements

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**Note 6. Restricted Net Assets**

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

	<u>2007</u>		<u>2006</u>
United Way allocations not yet received	\$ 232,349	\$	230,049
Various programs	69,735		162,706
	<u>\$ 302,084</u>	\$	<u>392,755</u>

**Note 7. Concentration of Credit Risk**

Statement of Financial Accounting Standard No. 105 requires disclosures of information about concentrations of credit risk for all financial instruments. The Center places its cash with high quality financial institutions, but does have cash on deposit from time to time in one financial institution in excess of insurance coverage provided by the FDIC. The finance committee periodically reviews and approves the selection of financial institutions.

**Note 8. Special Events**

The Center annually sponsors one major fund raising event. Contributions and grants includes revenue of \$169,887 and \$182,203 and in-kind contributions of \$187,474 and \$188,740 from this fund raising event in 2007 and 2006, respectively. Total expenses associated with the event, including in-kind expenses were \$317,614 and \$353,193 for 2007 and 2006, respectively.