

MID-OHIO PSYCHOLOGICAL SERVICES, INC.
FINANCIAL STATEMENTS
Years Ended June 30, 2005 and 2004

**MID-OHIO PSYCHOLOGICAL SERVICES, INC.
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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Mid-Ohio Psychological Services, Inc.
Lancaster, Ohio**

**Alcohol, Drug Addiction and Mental
Health Board of Fairfield County
Lancaster, Ohio**

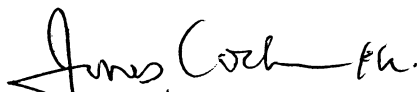
We have audited the accompanying statements of financial position of Mid-Ohio Psychological Services, Inc., as of June 30, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Mid-Ohio Psychological Services, Inc.'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

During 2005 the Agency changed its approach for estimating bad debt expense. The effect of this change on net income is disclosed in Note 5.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Ohio Psychological Services, Inc. as of June 30, 2005 and 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2005 on our consideration of Mid-Ohio Psychological Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in accessing the results of our audits.



Jones, Cochenour & Co.
November 4, 2005

MID-OHIO PSYCHOLOGICAL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 201,880	\$ 163,579
Accounts receivable - net of allowance of \$49,006 and \$209,237	357,278	294,874
Property and equipment - net	45,935	22,348
Prepaid insurance	-	5,947
Deposits	1,975	1,375
TOTAL ASSETS	\$ 607,068	\$ 488,123
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 57	\$ 92
Accrued payroll and related taxes	77,660	68,847
Accrued vacation pay	43,971	40,618
Self administered cafeteria plan	-	4,731
TOTAL LIABILITIES	121,688	114,288
NET ASSETS		
Unrestricted	485,380	373,835
TOTAL LIABILITIES AND NET ASSETS	\$ 607,068	\$ 488,123

See notes to financial statements

MID-OHIO PSYCHOLOGICAL SERVICES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2005 and 2004

	2005	2004
UNRESTRICTED NET ASSETS		
SUPPORT		
Fairfield County ADAMH Board	\$ 1,007,415	\$ 1,046,730
Other counties Mental Health	606,494	500,513
Medicare	-	16,681
Insurance	76,391	53,881
Self-pay	120,303	131,501
Other income	1,955	8,532
Change in estimate	80,690	-
	1,893,248	1,757,838
EXPENSES		
Individual	821,361	616,054
Group	72,157	97,214
Diagnostic assessment	249,696	226,327
Medication/somatic	107,412	129,155
Case management	178,192	228,575
Court	37,887	145,607
Court CSP	40,996	-
Jail	6,220	-
Forensic Evaluation	2,725	-
Other	2,016	-
Administrative support	214,035	193,373
TOTAL PROGRAM AND ADMINISTRATIVE EXPENSES	1,732,697	1,636,305
Bad debt expense	49,006	89,789
TOTAL EXPENSES	1,781,703	1,726,094
INCREASE IN UNRESTRICTED NET ASSETS	111,545	31,744
NET ASSETS - BEGINNING OF YEAR	373,835	342,091
NET ASSETS, END OF YEAR	\$ 485,380	\$ 373,835

See notes to financial statements

MID-OHIO PSYCHOLOGICAL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2005

	Individual	Group	Diagnostic Assessment	Medication/ Somatic	Case Management	Court	Court CSP	Jail	Forensic Evaluation	Other	Administrative Support	Total 2005
Salaries	\$ 621,175	\$ 48,621	\$ 209,676	\$ 93,774	\$ 142,169	\$ 17,163	\$ 20,423	\$ 2,858	\$ 1,706	\$ 447	\$ 156,148	\$ 1,314,160
Payroll taxes	46,395	3,154	15,916	7,355	10,348	1,368	1,629	228	116	36	18,464	105,009
Rent	40,386	1,916	5,266	1,389	3,766	3,127	3,477	-	206	1,043	4,471	65,047
Office and clinical supplies	23,007	1,537	4,298	786	2,005	1,831	677	-	117	28	3,806	38,092
Professional development	3,647	881	726	196	1,158	829	845	207	29	16	948	9,482
Telephone \ communications	7,475	1,806	1,488	401	2,374	1,699	1,732	425	60	33	1,942	19,435
Maintenance and housekeeping	15,310	1,023	1,941	523	1,334	1,218	1,355	-	78	33	2,534	25,349
Insurance/benefits	19,814	4,897	3,534	1,140	6,328	6,066	6,183	1,517	169	119	19,698	69,465
Professional fees	4,545	1,098	905	244	1,444	1,033	1,053	258	36	20	1,182	11,818
Equipment rental/maintenance	17,865	2,748	2,265	610	1,557	645	658	-	91	184	27	26,650
Advertising	1,590	384	317	85	505	361	368	90	13	7	414	4,134
Travel and conference	5,761	1,391	1,147	309	1,830	1,309	1,334	327	46	26	1,498	14,978
Non-health insurance	5,447	1,316	1,085	292	1,730	1,238	1,262	310	43	24	1,414	14,161
SUBTOTAL	812,417	70,772	248,564	107,104	176,548	37,887	40,996	6,220	2,710	2,016	212,546	1,717,780
Amortization	5,282	818	675	182	966	-	-	-	7	-	879	8,809
Depreciation	3,662	567	457	126	678	-	-	-	8	-	610	6,108
TOTAL	\$ 821,361	\$ 72,157	\$ 249,696	\$ 107,412	\$ 178,192	\$ 37,887	\$ 40,996	\$ 6,220	\$ 2,725	\$ 2,016	\$ 214,035	1,732,697

See notes to financial statements

MID-OHIO PSYCHOLOGICAL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2004

	Individual	Group	Diagnostic Assessment	Medication/Somatic	Case Management	Court / Jail	Administrative Support	Total 2004
Salaries	\$ 473,374	\$ 74,743	\$ 174,401	\$ 99,658	\$ 161,944	\$ 112,115	\$ 149,487	\$ 1,245,722
Payroll taxes	37,889	5,983	13,959	7,977	12,962	8,974	11,965	99,709
Rent	21,979	3,470	8,097	4,627	7,519	5,206	6,101	56,999
Office and clinical supplies	16,547	2,613	6,096	3,484	5,661	3,919	5,420	43,740
Professional development	2,305	364	849	485	788	546	728	6,065
Telephone	5,432	858	2,001	1,144	1,858	1,286	1,715	14,294
Maintenance and housekeeping	6,429	1,015	2,369	1,354	2,199	1,523	1,834	16,723
Insurance\benefits	26,776	3,323	7,755	4,431	7,201	4,985	6,647	61,118
Professional fees	7,875	1,243	2,902	1,658	2,694	1,865	2,487	20,724
Equipment rental/maintenance	5,865	1,419	3,310	1,891	3,074	2,128	2,837	20,524
Advertising	774	122	286	163	265	183	245	2,038
Travel and conference	472	429	494	107	18,874	429	643	21,448
Non-health insurance	4,393	694	1,618	925	1,503	1,040	1,387	11,560
SUBTOTAL	610,110	96,276	224,137	127,904	226,542	144,199	191,496	1,620,664
Depreciation	5,944	938	2,190	1,251	2,033	1,408	1,877	15,641
TOTAL	\$ 616,054	\$ 97,214	\$ 226,327	\$ 129,155	\$ 228,575	\$ 145,607	\$ 193,373	\$ 1,636,305

See notes to financial statements

MID-OHIO PSYCHOLOGICAL SERVICES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 111,545	\$ 31,744
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	6,108	15,641
Amortization	8,809	-
 (Increase) decrease in operating assets		
Accounts receivable - net	(62,404)	51,589
Prepaid insurance	5,947	(5,947)
Deposits	(600)	(840)
 Increase (decrease) in operating liabilities		
Accounts payable	(35)	(500)
Accrued payroll and related taxes	8,813	17,891
Accrued vacation pay	3,353	13,341
Self administered cafeteria plan	(4,731)	4,731
	76,805	127,650
 NET CASH PROVIDED BY OPERATING ACTIVITIES		
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(38,504)	(9,415)
	38,301	118,235
 NET INCREASE IN CASH		
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	163,579	45,344
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 201,880	\$ 163,579

See notes to financial statements

MID-OHIO PSYCHOLOGICAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Description and Concentration of Credit Risk

Mid-Ohio Psychological Services, Inc. (the "Agency") is a nonprofit Agency that provides counseling services to the residents of Fairfield County and Franklin County. For fiscal year 2005 and 2004, the Agency received approximately 56% and 60%, respectively, of its revenue from the Fairfield County ADAMH Board (the "Board"). The Board purchases units of service from the Agency. The Agency has an agreement with the Board to provide services to Medicaid eligible people.

Method of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The Agency requires payment from patients at the time of service. However, they will submit Title XIX and insurance claims for the patient. The patient is then required to pay for services not covered by Title XIX and insurance.

Cash and Cash Equivalents

For purposes of the financial statements, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Concentration of Credit Risk

The bank balance exceeded the amount insured by FDIC for the year ended June 30, 2005 and 2004. The general account exceeded the FDIC limit by \$113,029 and \$80,023 respectively.

Property and Equipment

These assets are recorded at cost and depreciated over their estimated useful lives by the straight line method. Repairs and maintenance are charged to operations when incurred and additions and improvements are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related depreciation account are relieved, and any gain or loss is included in operations.

Estimates

The preparation of financial statements 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 expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SAFS) No. 117, *Financial Statements of Not-for-Profit organizations*. Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned on any related investments for general or specific purposes.

**MID-OHIO PSYCHOLOGICAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS**

Accounts Receivable

Patient service revenue and accounts receivable is comprised of third party payors. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on the trend of write-offs experienced over the last few years. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Bad debt expense for the years ended June 30, 2005 and 2004 amounted to \$49,006 and \$89,789, respectively.

Functional Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Advertising Costs

The Agency's policy is to expense advertising costs as they are incurred.

2. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	2005	2004
Office equipment	\$ 102,339	\$ 63,835
Accumulated depreciation	(56,404)	(41,487)
	\$ 45,935	\$ 22,348

3. FEDERAL INCOME TAXES

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

4. LEASE AGREEMENT (RELATED PARTY)

The Agency signed two of the four lease agreements with the landlord who is also the executive director of the Agency. One lease was entered into during the fiscal period June 30, 2003 with an automatic renewal for June 30, 2008. The monthly lease payments are \$2,781. The second lease agreement was entered into on May 1, 2003, for 60 months. The lease payments are \$1,803 per month with a 3% increase each subsequent year.

The Agency also signed another one-year lease agreement beginning January 1, 2005 with an automatic renewal for six months. The monthly lease payments are \$600. As part of the lease agreement the landlord is responsible for all real estate taxes. Rent expense under the lease agreements for the fiscal years 2005 and 2004 was \$61,715 and \$59,519, respectively.

The Agency amended the fourth lease agreement previously entered (May 2004) for the rental of a new facility located in Columbus, Ohio. The lease agreement is for a three-year term beginning June 1, 2005. The monthly payments are \$1,690 per month with no provision of an increase. The Agency's future minimum lease payments under the lease obligations as of June 30, 2005 are as follows:

2006	\$ 80,039
2007	79,011
2008	74,580
2009	6,078
Total	\$ 239,708

**MID-OHIO PSYCHOLOGICAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS**

5. BAD DEBT – CHANGE IN ESTIMATE

In connection with the fiscal year 2004 audit, the Agency merged its accounts receivable information, XAKT Software, into its general accounting software, QuickBooks. The XAKT Software system aids in segregating automatic adjustments, such as insurance imposed reductions, reversals, automatic Medicaid, Non-Medicaid adjustments and other write-offs. This helps reduce the time spent in compiling and reconciling the adjustment information and evaluate its annual bad debt expense.

The Agency noted that most of the payments are received within 60 days and adjustments occur during the first 120 days. Therefore, the Agency changed its method for estimating bad debt expense by deeming accounts over 120 days old as uncollectible. Accordingly, the effect of this change was to increase net income by \$80,690 for 2005.



**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***

**Board of Directors
Mid-Ohio Psychological Services, Inc.
Lancaster, Ohio**

**Alcohol, Drug Addition and Mental
Health Board of Fairfield County
Lancaster, Ohio**

We have audited the financial statements of Mid-Ohio Psychological Services, Inc., as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated November 4, 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 Mid-Ohio Psychological Services, 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 reportable 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 that we reported to management of Mid-Ohio Psychological Services, Inc. in a separate letter dated November 4, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Ohio Psychological Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.
November 4, 2005

MID-OHIO PSYCHOLOGICAL SERVICES, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-2505-001	Accounts receivable system was inadequate for maintaining and determining net realizable value.	Yes	No longer valid.