THE ISUS INSTITUTE OF HEALTH CARE

Financial Statements

June 30, 2008

(with Independent Auditors' Report)

Mary Taylor, CPA
Auditor of State

Board of Trustees
ISUS Institute of Health Care
140 N. Keowee St.
Dayton, OH 45402

We have reviewed the *Independent Auditors' Report* of the ISUS Institute of Health Care, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. 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 ISUS Institute of Health Care is responsible for compliance with these laws and regulations.

Mary Taylor, CPA
Auditor of State

February 11, 2009

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The ISUS Institute of Health Care
Dayton, Ohio

We have audited the accompanying basic financial statements of The ISUS Institute of Health Care (the School), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 financial statements referred to above present fairly, in all material respects, the financial position of The ISUS Institute of Health Care, as of June 30, 2008, and the changes in financial position and cash flows thereof for the year 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 our report dated December 17, 2008, on our consideration of the School's internal control over financial reporting and on 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 results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 17, 2008

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The discussion and analysis of The ISUS Institute of Health Care's (the School) financial performance provides an overall review of the financial activities for the period ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights
Key financial highlights for the period ended June 30, 2008 are as follows:

- Total assets decreased by $87,395, which represents a 38 percent decrease from the prior year. The decrease resulted from a $37,502 decrease in equipment from current year depreciation and $52,537 decrease in intergovernmental and accounts receivable. Cash and cash equivalents increased by $2,644.

- Total liabilities increased by $99,397, which represents a 35 percent increase from the prior year. The increase resulted from $106,988 increase in intergovernmental and accounts payable, offset by decrease of $7,591 in other liabilities.

- The operating loss reported for the year ended June 2008, $668,817 was $356,269 more than the operating loss reported for the year ended June 2007.

Using this Financial Report
This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets
The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net assets, however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2008 compared with fiscal year 2007.

Table 1
Net Assets

		2008	2007
Assets			
Current and other assets	$	38,705	88,598
Capital assets, net		105,050	142,552
Total assets		143,755	231,150
Liabilities:			
Current liabilities		381,734	282,337
Total liabilities		381,734	282,337
Net assets:			
Invested in capital assets		105,050	142,552
Unrestricted		(343,029)	(193,739)
Total net assets	$	(237,979)	(51,187)

Total net assets of the School decreased by $186,792.

The decrease of $49,893 in current assets resulted from the decrease in accounts receivable and intergovernmental receivable of $52,537, offset by an increase in cash and cash equivalents of $2,644. The decrease in accounts receivable and intergovernmental receivables resulted from decreased intercompany receivables from the Ohio Department of Education and decreased receivables from ISUS, Inc.

The increase of $99,397 in current liabilities resulted from a $107,679 increase in intercompany payables related to the School incurring costs for rent and administrative services, offset by decrease of $8,282 in other liabilities.

The decrease of $37,502 in net assets invested in capital assets was due to normal depreciation of $37,502. The decrease of $149,290 in unrestricted net assets was due to loss from overall operations.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, as well as revenue and expense comparisons to fiscal year 2007.

Table 2
Changes in Net Assets

		2008	2007
Operating revenues:			
Foundation payments	$	453,846	514,283
Charge for services		12,588	46,926
Other		-	149
Non-operating revenues			
State and Federal grants		107,205	100,092
Contributions		40,990	36,960
Interest earned		89	120
ISUS (on behalf) revenue		333,741	85,760
Total revenues		948,459	784,290
Operating expenses:			
Salaries		261,401	207,891
Fringe benefits		70,522	51,955
Purchased services		679,737	502,137
Materials and supplies		35,505	37,157
Depreciation		37,502	36,838
Other expenses		50,584	37,928
Total operating expenses		1,135,251	873,906
Change in net assets		(186,792)	(89,616)
Net assets, beginning of year		(51,187)	38,429
Net assets, end of year	$	(237,979)	(51,187)

Operating revenues decreased $94,924 as compared to the period ended June 2007. The decrease was due to a decrease in foundation payments of $60,437 from a decrease in student FTE's and a decrease in charges for services of $34,338 due to a decrease in billings for administrative services to the other ISUS Institutes and the ISUS, Inc.

Total expenses reported for the period ended June 30, 2008 were $261,345 more than the total expenses reported for the period ended June 30, 2007. Salaries and Fringe Benefits increased by $72,077 due to the hiring of additional staff. Purchased services increased by $177,600 due to an increase in rent and contract costs. Other expenses increase by $12,656 due to sponsorship fees and the purchase of bus tokens for student transportation.

Non-operating revenues increased by $259,093 as compared to the prior year. On behalf payments increased $247,981 due to the increase in pass through grants from ISUS Corp.

Capital Assets

At June 30, 2008 capital assets of the School were $187,507 offset by $82,457 in accumulated depreciation resulted in net capital assets of $105,050. Table 3 shows the categories of capital assets maintained by the School, net of accumulated depreciation, at June 30, 2008 and 2007.

Table 3
Capital Assets, net of depreciation

		2008	2007
Equipment	$	187,507	187,507
Less: Accumulated Depreciation		(82,457)	(44,955)
Totals	$	105,050	142,552

The decrease of $37,502 in net capital assets was due to current year depreciation.

Debt

At June 30, 2008, the School did not have any debt obligations.

Contacting the School

This financial report is designed to provide a general overview of the finances of The ISUS Institute of Health Care and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: The ISUS Institute of Health Care, 140 N. Keowee St., Dayton, OH 45402.

THE ISUS INSTITUTE OF HEALTH CARE
Statement of Net Assets
June 30, 2008

Assets		
Current assets:		
Cash and cash equivalents	$	27,246
Accounts receivable		5,769
Intergovernmental receivable		5,690
		38,705
Non-current assets, net of accumulated depreciaiton:		
Equipment		105,050
	$	143,755
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	369,926
Intergovernmental payable		243
Accrued wages and benefits payable		11,503
Compensated absences payable		62
		381,734
Net assets:		
Investment in capital assets		105,050
Unrestricted		(343,029)
		(237,979)
	$	143,755

See accompanying notes to the financial statements.

Operating revenues:		
Foundation payments	$	453,846
Charge for services		12,588
Total operating revenues		466,434
Operating expenses:		
Salaries		261,401
Fringe benefits		70,522
Purchased services		679,737
Materials and supplies		35,505
Depreciation		37,502
Other operating expenses		50,584
Total operating expenses		1,135,251
Operating loss		(668,817)
Non-operating revenues		
Federal grants		96,785
State grants		10,420
Interest earned		89
Contributions		40,990
ISUS (on behalf) revenue		333,741
Total non-operating revenues		482,025
Change in net assets		(186,792)
Net assets, beginning of year		(51,187)
Net assets, end of year	$	(237,979)

See accompanying notes to the financial statements.

Cash flows from operating activities:		
Cash received from foundation payments	$	453,846
Cash received by charges for services		65,125
Cash used for employees for services		(333,160)
Cash used for suppliers for goods and services		(665,192)
Net cash used in operating activities		(479,381)
Cash flow from noncapital financing activities		
Cash received from ISUS, Inc.		333,741
Cash received from federal, state, private, and local grants		107,294
Cash received from contributions		40,990
Net cash provided by noncapital financing activities		482,025
Increase in cash and cash equivalents		2,644
Cash and cash equivalents at the beginning of the year		24,602
Cash and cash equivalents at the end of the year	$	27,246

(Continued)

See accompanying notes to the financial statements.

Cash flows from operating activities:		
Operating loss	$	(668,817)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		37,502
Change in assets and liabilities		
Decrease in accounts receivable		24,273
Decrease in intergovernmental receivable		28,264
Increase in accounts payable		107,679
Decrease in intergovernmental payable		(691)
Decrease in accrued wages and benefits payable		(1,231)
Decrease in compensated absences payable		(6)
Decrease in other liabilities		(6,354)
Net cash used in operating activities	$	(479,381)

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of The ISUS Institute of Health Care (the School) are set forth to facilitate the understanding of data presented in the financial statements.

Description of organization

The School is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 as an organization operated exclusively for educational purposes. The School is exempt under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax exempt status.

Specifically, the mission of the School is to advance youth through a program of academic education, employment training, personal and leadership development, and service learning. Students will graduate with the knowledge, skills and attitudes required for employment in the health care industry. The School is a degree granting high school and serves students from age sixteen through twenty-one.

The School, which is part of the State's education program, is independent of any school district. It may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

The creation of the School was initially proposed to the Ohio Department of Education, the sponsor, by the developers of the School in April 1999. The Ohio Department of Education approved the proposal and entered into a contract with the developers effective June 21, 2001. The first school year, for students, began on January 4, 2005.

The school operates under a five member Board of Directors. The Board is ultimately responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the School's one instructional facility and contracted with the ISUS Institute of Construction Technology for teaching staff. Approximately two hundred (200) students were served during the 2007-2008 school year.

The School is associated with five organizations which are defined as related organizations. These organizations are the Improved Solutions for Urban Systems, Inc. (ISUS), ISUS Trade and Technology Community School of Columbus, ISUS Trade and Technology Community School of Springfield, The ISUS Institute of Manufacturing, and The ISUS Institute of Construction Technology. These organizations are presented in Note 13 to the financial statements.

Financial statement presentation

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement focus and basis of accounting
The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities is defined as net assets. Net assets are segregated into three categories: 1) net assets invested in capital assets, 2) restricted net assets and 3) unrestricted net assets. The statement of revenues, expenses and changes in net assets present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary process
The School must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates.

Cash and cash equivalents
The School's fiscal officer accounts for all monies received by the School. All monies are maintained in a demand deposit account. To improve cash management, all cash received from the State of Ohio is electronically transferred into an account. The School had no investments during the period.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Capital assets and depreciation
Capital assets and improvements with an estimated historical cost or cost of more than $1,000 are capitalized and updated for additions and retirements during the year. The costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are expensed.

Depreciation is computed using the straight-line method over an estimated useful life of the asset, which is 5 years for equipment.

Intergovernmental revenues

The School participates in the State Foundation Program; revenues received from this program are recognized as operating revenues (State Foundation) in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation and compensatory time when earned for all employees.

Teachers, administrators, and employees earn sick leave at the rate of three hours per pay period, accruable to 80 hours. Sick leave in excess of 80 hours is reimbursed on a quarterly basis.

Accrued liabilities, other

Obligations incurred but unbilled prior to June 30, 2008, are reported as accrued liabilities in the accompanying financial statements.

Exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

2. CASH AND DEPOSITS:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2008, $27,246 of the School's bank balance was covered by federal deposit insurance.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

3. RECEIVABLES:

Accounts receivable

Accounts Receivable at June 30, 2008 include amounts due to the School from ISUS Inc., for state, federal, and other sources received by ISUS Inc. that are passed through to the School. These receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

Accounts Receivable at June 30, 2008 consisted of the following:

ISUS, Inc.	$	5,612
ISUS Insitute of of Contruction Technology		157
Total accounts receivable	$	5,769

Intergovernmental receivable

Intergovernmental receivable at June 30, 2008 consisted of the following:

Ohio Department of Education	$	5,690
Total intergovernmental receivable	$	5,690

4. RISK MANAGEMENT:

Property and liability

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the period ended June 30, 2008, the School contracted with the Cincinnati Insurance Company for property and general liability insurance.

The School leased a facility on which they were named insured's with ISUS Inc., with coverage provided by The Cincinnati Insurance Company. Coverage included personal property $1,688,500; employee dishonesty $300,000; and general liability $1,000,000 with an aggregate limit of $2,000,000.

Settled claims have not exceeded this coverage since the inception of the School. There has been no significant reduction in coverage from last year.

Worker's compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying annual gross payroll by a factor calculated by the State.

Employee, medical, dental, and vision benefits

The School, through a contract held by ISUS, Inc., provides employee dental, life, vision, and medical and surgical benefits. The School pays 80% of the monthly premium and the employee is responsible for the remaining 20%, except for dental insurance which is split 50/50 by the School and employee.

Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependents. The health insurance plan was a simplified funded plan, with specific stop-loss protection.

5. DEFINED PENSION BENEFITS PLANS:

State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting STRS Ohio web-site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or combined plan. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2008, plan members were required to contribute the statutory maximum of 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal year ended June 30, 2008 and 2007 were $36,616 and $27,582, respectively; 100 percent has been contributed for fiscal years 2008 and 2007.

6. POST-EMPLOYMENT BENEFITS:

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pusuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care costs in the form of a monthly premium.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board (the Board) has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $2,615 for fiscal year 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was $4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were $265,558,000 and STRS had 122,934 eligible benefit recipients.

7. OTHER EMPLOYEE BENEFITS-COMPENSATED ABSENCES:

The criteria for determining vacation and sick leave components are derived from School policy and State laws. Full-time employees earn 2 days of vacation after 90 day of employment and 7 days on the employee's annual employment anniversary. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers, administrators, and employees earn sick leave at the rate of three hours per pay period, accruable to 80 hours. Sick leave in excess of 80 hours is reimbursed on a quarterly basis.

8. CONTINGENCIES:

Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.

State Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report.

9. RELATED PARTY TRANSACTIONS:

Related party

The Superintendent also serves as the Legal Counsel for the School. The School was not involved in significant legal actions during fiscal year 2008.

Improved Solutions for Urban Systems, Inc. (ISUS)

Improved Solutions for Urban Systems, Inc. (ISUS) is a not-for-profit corporation in the State of Ohio, operated under the direction of a separate Board of Directors. The School paid $234,718 for administrative services to this organization during fiscal year 2008. At June 30, 2008, the school was due $5,612 from the organization and owed the organization $81,178. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Construction Technology

The ISUS Institute of Construction Technology is a community school in the State of Ohio, operated under the direction of the same Board of Directors that operates the School. The School paid $304,230 for administrative services to this organization during fiscal year 2008. At June 30, 2008, the school was due $157 from the organization and owed the organization $260,487. To obtain financial information, write to The ISUS Institute of Construction Technology, David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Manufacturing

The ISUS Institute of Manufacturing is a community school in the State of Ohio, operated under the direction of the same Board of Directors that operates the School. The School paid $13,514 for administrative services to this organization during fiscal year 2008. At June 30, 2008, the school was not due anything from the organization but owed the organization $26,303. To obtain financial information, write to The ISUS Institute of Manufacturing, David Bridge, Accountant, at 140 North Keowee Street, Dayton, OH 45402.

10. OPERATING LEASE

During fiscal year 2008, the School leased a building and office facility under an operating lease ending June 30, 2008 from ISUS, Inc. Total lease payments were $116,200 for the year ended June 30, 2008, which includes utilities, telephone service, and janitorial service. The basis for determining the payment was the square footage occupied by the School. The lease arrangement states it will automatically renew for four successive one year periods, absent an action by either of the parties to terminate the lease

11. PURCHASED SERVICES:

For the fiscal year 2008, purchased services expenses were payments for services rendered by various vendors for the following:

Professional/Technical Services	$	5,932
Contracted Craft/Trade Services		511,589
Administrative		162,216
Total purchased services	$	679,737

12. CAPITAL ASSETS:

A summary of the capital assets at June 30, 2008 follows:

		Balance 6/30/07	Additions	Reductions	Balance 6/30/08
Capital Assets, being depreciated:					
Furniture and equipment	$	187,507	-	-	187,507
Less: accumulated depreciation		(44,955)	(37,502)	-	(82,457)
Capital assets, net	$	142,552	(37,502)	-	105,050

13. RELATED ORGANIZATIONS:

ISUS Trade and Technology Community School of Columbus, ISUS Trade and Technology Community School of Springfield, are community schools in the State of Ohio, operated under the direction of the same Board of Directors that operates the School. The abovementioned schools are in the start-up phase of the community school process. The School provides administrative services to the abovementioned community schools. To obtain financial information, write to The ISUS Institute of Health Care, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

The ISUS Institute of Construction Technology is a community school in the State of Ohio, operated under the direction of the same Board of Directors that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2008, to the School as defined in Note 9. The School paid $304,230 for administrative services to this organization during fiscal year 2008. To obtain financial information, write to The ISUS Institute of Construction, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

The ISUS Institute of Manufacturing is a community school in the State of Ohio, operated under the direction of the same Board of Directors that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2008, to the School as defined in Note 9. The School paid $13,514 for administrative services to this organization during fiscal year 2008. To obtain financial information, write to The ISUS Institute of Manufacturing, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

Improved Solutions for Urban Systems, Inc. (ISUS) is a not-for-profit corporation in the State of Ohio, operated under the direction of a different Board of Directors. Board membership for The ISUS Institute of Health Care will be subject to approval by the Board of Directors of ISUS, Inc. pursuant to the governing documents that are and will be in place. The School paid $234,718 for administrative services to this organization during fiscal year 2008. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

14. INTERGOVERNMENTAL PAYABLE:

Intergovernmental payables at June 30, 2008 consisted of the following:

Treasurer of State of Ohio	$	243
Total intergovermental payable	$	243

15. ACCOUNTS PAYABLE:

Accounts payable at June 30, 2008 consisted of the following:

Institute of Construction Technology	$	260,487
Institute of Manufacturing		26,303
ISUS, Inc.		81,178
Other		1,958
Total accounts payable	$	369,926

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 Trustees
The ISUS Institute of Health Care
Dayton, Ohio

We have audited the financial statements of The ISUS Institute of Health Care as of and for the year ended June 30, 2008, and have issued our report thereon dated December 17, 2008. 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 The ISUS Institute of Health Care's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The ISUS Institute of Health Care's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The ISUS Institute of Health Care's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ISUS Institute of Health Care'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 Trustees, management, others within the School and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 17, 2008

1. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

Mary Taylor, CPA
Auditor of State

ISUS INSTITUTE OF HEALTH CARE

MONTGOMERY 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
FEBRUARY 24, 2009

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