THE ISUS INSTITUTE OF HEALTH CARE

Financial Statements

June 30, 2009

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Board of Governance
ISUS Institute of Health Care
140 North Keowee Street
Dayton, Ohio 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, 2008 through June 30, 2009. 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

Mary Taylor, CPA
Auditor of State

December 17, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Governance
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, 2009, 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, 2009, 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 November 30, 2009, 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
November 30, 2009

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, 2009. 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, 2009 are as follows:

- Total assets increased by $37,658, which represents a 26 percent increase from prior year. The increase resulted from $92,384 in due from related parties, $2,741 increase in intergovernmental receivable and $5,077 increase in prepaid items. The increases were offset by $37,501 decrease in non-current assets from current year depreciation. Cash and cash equivalents decreased by $25,043.

- Total liabilities decreased by $195,170 which represents a 51 percent decrease from the prior year. The decrease resulted from $188,210 decrease in due to related parties and $8,206 decrease in other liabilities. Accounts payable increased by $1,196 and accrued liabilities, other increased by $50.

- The operating loss reported for the year ended June 2009, $397,447, was $271,370 less than the operating loss reported for the year ended June 2008.

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 2009 compared with fiscal year 2008.

Table 1
Net Assets

		2009	2008
Assets			
Current and other assets	$	113,864	38,705
Capital assets, net		67,549	105,050
Total assets		181,413	143,755
Liabilities:			
Current liabilities		186,564	381,734
Total liabilities		186,564	381,734
Net assets:			
Invested in capital assets		67,549	105,050
Unrestricted		(72,700)	(343,029)
Total net assets	$	(5,151)	(237,979)

Total net assets of the School increased by $232,828, primarily due to forgiveness of amount due to related parties during current year.

The increase of $75,159 in current assets resulted from an increase in due from related parties and intergovernmental receivable of $95,125 and prepaid items of $5,077, offset by a decrease in cash and cash equivalents of $25,043. The increase in due from related parties resulted from increased receivables from ISUS Institute of Construction Technology and increased intergovernmental receivables from the Ohio Department of Education.

The decrease of $195,170 in current liabilities resulted from an $188,210 decrease in due to the ISUS Institute of Construction, in part, being forgiven by the ISUS Institute of Construction during 2009. Other current liabilities decrease by $8,156 and accounts payable increased by $1,196.

The decrease of $37,501 in net assets invested in capital assets was due to normal depreciation of $37,501. The increase of $270,329 in unrestricted net assets was due to the changes in current assets and liabilities described above.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, as well as revenue and expense comparisons to fiscal year 2008.

Table 2
Changes in Net Assets

		2009	2008
Operating revenues:			
Foundation payments	$	298,279	453,846
Charge for services		92,558	12,588
Non-operating revenues			
State and Federal grants		70,243	107,205
Contributions		58,328	40,990
Interest earned		6	89
ISUS (on behalf) revenue		501,698	333,741
Total revenues		1,021,112	948,459
Operating expenses:			
Salaries		109,678	261,401
Fringe benefits		27,454	70,522
Purchased services		573,106	679,737
Materials and supplies		5,401	35,505
Depreciation		37,501	37,502
Other expenses		35,144	50,584
Total operating expenses		788,284	1,135,251
Change in net assets		232,828	(186,792)
Net assets, beginning of year		(237,979)	(51,187)
Net assets, end of year	$	(5,151)	(237,979)

Operating revenues decreased $75,597 as compared to the period ended June 2008. The decrease was due to $155,567 decrease in foundation payments as a result of a decrease in student FTE's offset by an increase in charges for services of $79,970 due to an increase in billings for administrative services to the other ISUS Institutes and the ISUS, Inc.

Total expenses reported for the period ended June 30, 2009 were $346,967 less than the total expenses reported for the period ended June 30, 2008. Salaries and Fringe Benefits decreased by $194,791 due to a reduction in staff. Purchased services decreased by $106,631 due to a decrease in rent and contract costs. Other expenses decreased by $45,545 due to a decrease in the purchase of bus tokens and computer supplies.

Non-operating revenues increased by $148,250 as compared to the prior year. On behalf payments increased by $167,957 due to the ISUS Institute of Construction, forgiving a portion of the amount it was due.

Capital Assets
At June 30, 2009 capital assets of the School were $187,507 offset by $119,958 in accumulated depreciation resulted in net capital assets of $67,549. Table 3 shows the categories of capital assets maintained by the School, net of accumulated depreciation, at June 30, 2009 and 2008.

Table 3
Capital Assets, net of depreciation

		2009	2008
Equipment	$	187,507	187,507
Less: accumulated depreciation		(119,958)	(82,457)
Totals	$	67,549	105,050

The decrease of $37,501 in net capital assets was due to current year depreciation. See note 12 to the financial statements for additional information on the capital assets.

Debt
At June 30, 2009, 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.

Assets		
Current assets:		
Cash and cash equivalents	$	2,203
Due from related parties		98,153
Intergovernmental receivable		8,431
Prepaid expenses		5,077
		113,864
Non-current assets, net of accumulated depreciaiton:		
Equipment		67,549
	$	181,413
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	3,154
Due to related parties		179,758
Accrued wages and benefits payable		3,602
Accrued liabilities, other		50
		186,564
Net assets		
Investment in capital assets		67,549
Unrestricted		(72,700)
		(5,151)
	$	181,413

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF HEALTH CARE

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2009

Operating revenues:		
Foundation payments	$	298,279
Charge for services		92,558
Total operating revenues		390,837
Operating expenses:		
Salaries		109,678
Fringe benefits		27,454
Purchased services		573,106
Materials and supplies		5,401
Depreciation		37,501
Other operating expenses		35,144
Total operating expenses		788,284
Operating loss		(397,447)
Non-operating revenues		
Federal grants		65,353
State grants		4,890
Interest earned		6
Contributions		58,328
ISUS (on behalf) revenue		501,698
Total non-operating revenues		630,275
Change in net assets		232,828
Net assets, beginning of year		(237,979)
Net assets, end of year	$	(5,151)

See accompanying notes to the financial statements.

Cash flows from operating activities:		
Cash received from foundation payments	$	298,279
Cash received by charges for services		(2,567)
Cash used for employees for services		(150,172)
Cash used for suppliers for goods and services		(356,883)
Net cash used in operating activities		(211,343)
Cash flow from noncapital financing activities		
Cash received from ISUS, Inc.		57,723
Cash received from federal, state, private, and local grants		70,249
Cash received from contributions		58,328
Net cash provided by noncapital financing activities		186,300
Decrease in cash and cash equivalents		(25,043)
Cash and cash equivalents at the beginning of the year		27,246
Cash and cash equivalents at the end of the year	$	2,203

(Continued)

Cash flows from operating activities:		
Operating loss	$	(397,447)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		37,501
Changes in assets and liabilities		
Prepaids		(5,077)
Due from related parties		(92,384)
Intergovernmental receivable		(2,741)
Accounts payable		1,196
Due to related parties *		255,765
Intergovernmental payable		(243)
Accrued wages and benefits payable		(7,901)
Compensated absences payable		(62)
Net cash used in operating activities	$	(211,343)

* Includes $443,975 of due to related parties forgiven during current year (see note 9)

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 Governance. 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 eighty (80) students were served during the 2008-2009 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 School has elected not to apply the provisions for the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. 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, 2009, 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, 2009, $2,203 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:

Due from related parties

Due from related parties at June 30, 2009 include amounts due to the School from ISUS Institute of Manufacturing and ISUS Institute of Construction Technology, 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.

Due from related parties at June 30, 2009 consisted of the following:

ISUS Institute of Manufacturing	$	8,152
ISUS Institute of Construction Technology		90,001
Total due from related parties	$	98,153

Intergovernmental receivable

Intergovernmental receivable at June 30, 2009 consisted of the following:

Ohio Department of Education	$	8,431
Total intergovernmental receivable	$	8,431

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, 2009, 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 $1,689,500; 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 DC 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 into an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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, 2009, 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 to STRS Ohio for the fiscal year ended June 30, 2009, 2008 and 2007 were $14,497, $36,616 and $27,582, respectively; equal to required contributions for each year.

6. POST-EMPLOYMENT BENEFITS:

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS). Interested parties may obtain additional information regarding benefits provided by each system by obtaining the respective *Comprehensive Annual Financial Report* by following the directions noted in Note 5 above.

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The amount of the Schools contributions to STRS allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007 were $1,115, $2,615, and $7,306, respectively; 100 percent has been contributed for all years.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008, the balance in the Fund was $3.7 billion. For the year ended June 30, 2008, net health care costs paid by STRS were $288,878,000 and STRS had 126,506 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, 2009.

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:

Due to related parties

Included in due to related parties is $52,888 and $17,841 due to The ISUS Institute of Construction Technology and The ISUS Institute of Manufacturing, respectively, for reimbursement of administrative employees' payroll and pass through of grant funds. Also, included in due to related parties is $109,029 due to ISUS Inc. for reimbursement of administrative employees' payroll, office supplies, and lease payments.

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 Governance. The School paid $296,771 for administrative services to this organization during fiscal year 2009. At June 30, 2009, the school was not due anything from the organization but owed the organization $109,029. 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 Governance that operates the School. The School paid $76,584 for administrative services to this organization during fiscal year 2009. At June 30, 2009, the school was due $90,001 from the organization and owed the organization $52,888. During fiscal year 2009, The ISUS Institute of Construction Technology forgave $443,975 of outstanding payables from the School, which has been reported as additional on behalf payments revenue for the year. 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 Governance that operates the School. The School paid $35,199 for administrative services to this organization during fiscal year 2009. At June 30, 2009, the school was due $8,152 from the organization and owed the organization $17,841. 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 2009, the School leased a building and office facility under an operating lease ending June 30, 2009 from ISUS, Inc. Total lease payments were $87,852 for the year ended June 30, 2009, 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 2009, purchased services expenses were payments for services rendered by various vendors for the following:

Professional/Technical Services	$	3,485
Contracted Craft/Trade Services		439,346
Administrative		130,275
Total purchased services	$	573,106

12. CAPITAL ASSETS:

A summary of the capital assets at June 30, 2009 follows:

		Balance 6/30/08	Additions	Reductions	Balance 6/30/09
Capital Assets, being depreciated:					
Furniture and equipment	$	187,507	-	-	187,507
Less: accumulated depreciation		(82,457)	(37,501)	-	(119,958)
Capital assets, net	$	105,050	(37,501)	-	67,549

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 Governance 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 Governance that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2009, to the School as defined in Note 9. The School paid $76,584 for administrative services to this organization during fiscal year 2009. Also, during fiscal year 2009, The ISUS Institute of Construction Technology forgave $443,975 of outstanding payables from the School, which has been reported as additional on behalf payments revenue for the year. 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 Governance that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2009, to the School as defined in Note 9. The School paid $35,199 for administrative services to this organization during fiscal year 2009. 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 Governance. Board membership for The ISUS Institute of Health Care will be subject to approval by the Board of Governance of ISUS, Inc. pursuant to the governing documents that are and will be in place. The School paid $296,771 for administrative services to this organization during fiscal year 2009. 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. DUE TO RELATED PARTIES:

Due to related parties at June 30, 2009 consisted of the following:

Institute of Construction Technology	$	52,888
Institute of Manufacturing		17,841
ISUS, Inc.		109,029
Total due to related parties	$	179,758

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 Governance
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, 2009, and have issued our report thereon dated November 30, 2009. 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 Governance, management, others within the School 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
November 30, 2009

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

None

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The ISUS Institute of Health Care
Montgomery County
140 North Keowee Street
Dayton, Ohio 45402

To the Board of Governance:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether The ISUS Institute of Health Care has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 10, 2008.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B), except for the reporting requirement #10 described below:

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;

   (3) A procedure for reporting prohibited incidents;

   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

   (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any reported incident;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended – as of November 30, 2009, The ISUS Institute of Health Care has not had any reported incidents, therefore, a summary has not been posted on the web site.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 30, 2009

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At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

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
DECEMBER 31, 2009

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