
THE ISUS INSTITUTE OF HEALTH CARE

Financial Statements

June 30, 2011

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Governance
ISUS Institute of Health Care
140 N. Keowee St.
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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 19, 2012

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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 financial statements of The ISUS Institute of Health Care (the School), as of and for the year ended June 30, 2011, 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, 2011, 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 28, 2011, 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 should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 3 through 6 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 28, 2011

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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, 2011. 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.

Financial Highlights

Key financial highlights for the period ended June 30, 2011 are as follows:

- Total assets increased by \$122,245, which represents a 91 percent increase from the prior year. The increase resulted from \$50,927 increase in cash and cash equivalents and \$100,697 increase in due from related parties offset by \$29,385 decrease in capital assets net of accumulated depreciation.
- Total liabilities increased by \$75,549, which represents a 300 percent increase from the prior year. The increase resulted primarily from \$61,678 increase in due to related parties, an increase of \$10,769 in other accrued liabilities, and \$8,564 increase in intergovernmental payable. These increases were offset by \$4,733 decrease in accounts payable and \$729 decrease in accrued wages and benefits.
- The operating loss reported for the period ended June 2011 of \$352,037 was \$104,062 more than the operating loss reported for the period ended June 2010 of \$247,975.

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 2011 compared with fiscal year 2010.

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 255,439	103,809
Capital assets, net	<u>663</u>	<u>30,048</u>
 Total assets	 <u>256,102</u>	 <u>133,857</u>
Liabilities:		
Current liabilities	<u>100,765</u>	<u>25,216</u>
 Total liabilities	 100,765	 25,216
Net assets:		
Invested in capital assets	663	30,048
Unrestricted	<u>154,674</u>	<u>78,593</u>
 Total net assets	 \$ <u>155,337</u>	 <u>108,641</u>

Total net assets, of the School, increased by \$46,696.

The increase of \$151,630 in current assets resulted primarily from an increase of \$100,697 in due from related parties and a \$50,927 increase in cash.

The decrease of \$29,385 in capital assets net of accumulated depreciation resulted from current year depreciation.

The increase of \$75,549 in current liabilities resulted primarily from \$8,564 increase in intergovernmental payable, \$61,678 increase in due to related parties and \$10,769 increase in other accrued liabilities.

The decrease of \$29,386 in net assets invested in capital assets was due to normal depreciation of the school's capital assets. The increase of \$76,081 in unrestricted net assets was due to the changes in current assets and liabilities described above.

THE ISUS INSTITUTE OF HEALTH CARE
Montgomery County

Management's Discussion And Analysis
For The Period Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, as well as revenue and expense comparisons to fiscal year 2010.

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Foundation payments	\$ 526,055	706,760
Charge for services	178,133	78,757
Non-operating revenues		
State and Federal grants	212,096	176,601
Contributions	313	122,664
Interest earned	11	12
ISUS (on behalf) revenue	<u>186,313</u>	<u>62,490</u>
 Total revenues	 <u>1,102,921</u>	 <u>1,147,284</u>
 Operating expenses:		
Salaries	240,247	192,240
Fringe benefits	68,366	52,681
Purchased services	639,755	685,530
Materials and supplies	20,516	8,542
Depreciation	29,385	37,501
Other expenses	<u>57,956</u>	<u>56,998</u>
 Total operating expenses	 <u>1,056,225</u>	 <u>1,033,492</u>
 Change in net assets	 46,696	 113,792
 Net assets, beginning of year	 <u>108,641</u>	 <u>(5,151)</u>
 Net assets, end of year	 \$ <u>155,337</u>	 <u>108,641</u>

Operating revenues decreased by \$81,329 as compared to the period ended June 2010. The decrease was primarily due to \$180,705 decrease in foundation payments as a result of a decrease in student FTE's. The decrease was offset in part by an increase of \$99,376 in charges for services 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, 2011 were \$22,733 more than the total expenses reported for the period ended June 30, 2010. Salaries and fringe benefits increased by \$63,692 due to an increase in staff. Purchased services decreased by \$45,775, which was offset by an increase in materials and supplies by \$11,974.

THE ISUS INSTITUTE OF HEALTH CARE
Montgomery County

Management's Discussion And Analysis
For The Period Ended June 30, 2011
Unaudited

Non-operating revenues increased by \$36,966 as compared to the prior year. State and Federal grants increased by \$35,495 due to an increase in federal grant revenues earned during current year. Contributions decreased by \$122,351 based on a decrease in amount contributed by the ISUS Corporation. On behalf revenue increased by \$123,823 due to an increase in grants passed through from ISUS Corporation.

Capital Assets

At June 30, 2011 capital assets of the School were \$187,507 offset by \$186,844 in accumulated depreciation resulted in net capital assets of \$663. Table 3 shows the categories of capital assets maintained by the School, net of accumulated depreciation, at June 30, 2011 and 2010.

Table 3
Capital Assets, net of depreciation

	<u>2011</u>	<u>2010</u>
Equipment	\$ 187,507	187,507
Less: accumulated depreciation	<u>(186,844)</u>	<u>(157,459)</u>
Totals	\$ <u>663</u>	<u>30,048</u>

The decrease of \$29,385 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, 2011, 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, 2011

Assets

Current assets:

Cash and cash equivalents	\$	57,238
Due from related parties		161,876
Intergovernmental receivable		<u>36,325</u>
		<u>255,439</u>

Non-current assets, net of accumulated depreciation:

Equipment		<u>663</u>
	\$	<u><u>256,102</u></u>

Liabilities and Net Assets

Liabilities

Intergovernmental payable	\$	8,564
Due to related parties		69,865
Accrued wages and benefits payable		11,567
Accrued liabilities, other		<u>10,769</u>
		<u>100,765</u>

Net assets

Investment in capital assets		663
Unrestricted		<u>154,674</u>
Total net assets		<u>155,337</u>

Total liabilities and net assets	\$	<u><u>256,102</u></u>
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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, 2011

Operating revenues:	
Foundation payments	\$ 526,055
Charge for services	<u>178,133</u>
Total operating revenues	<u>704,188</u>
Operating expenses:	
Salaries	240,247
Fringe benefits	68,366
Purchased services	639,755
Materials and supplies	20,516
Depreciation	29,385
Other operating expenses	<u>57,956</u>
Total operating expenses	<u>1,056,225</u>
Operating loss	<u>(352,037)</u>
Non-operating revenues	
Federal grants	209,096
State grants	3,000
Interest earned	11
Contributions	313
ISUS (on behalf) revenue	<u>186,313</u>
Total non-operating revenues	<u>398,733</u>
Change in net assets	46,696
Net assets, beginning of year	<u>108,641</u>
Net assets, end of year	<u>\$ 155,337</u>

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF HEALTH CARE

Statement of Cash Flows

Year Ended June 30, 2011

Cash flows from operating activities:	
Cash received from foundation payments	\$ 534,619
Cash received by charges for services	77,430
Cash used for employees for services	(309,342)
Cash used for suppliers for goods and services	<u>(650,513)</u>
Net cash used in operating activities	<u>(347,806)</u>
Cash flow from noncapital financing activities	
Cash received from ISUS, Inc.	186,313
Cash received from federal, state, private, and local grants	212,107
Cash received from contributions	<u>313</u>
Net cash provided by noncapital financing activities	<u>398,733</u>
Increase in cash and cash equivalents	50,927
Cash and cash equivalents at the beginning of the year	<u>6,311</u>
Cash and cash equivalents at the end of the year	\$ <u><u>57,238</u></u>

(Continued)

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF HEALTH CARE

Statement of Cash Flows (Continued)

Year Ended June 30, 2011

Cash flows from operating activities:	
Operating loss	\$ (352,037)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	29,385
Changes in assets and liabilities	
Due from related parties	(100,697)
Intergovernmental receivable	(6)
Accounts payable	(4,733)
Intergovernmental payable	8,564
Due to related parties	61,678
Accrued wages and benefits payable	(729)
Other liabilities	<u>10,769</u>
Net cash used in operating activities	\$ <u>(347,806)</u>

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 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 one hundred twenty (120) students were served during the 2010 – 2011 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. The foundation funding is 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.

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, 2011, 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, 2011, \$26,875 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, 2011 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, 2011 consisted of the following:

ISUS, Inc.	\$ 49,828
ISUS Institute of Manufacturing	24,314
ISUS Institute of Construction Technology	<u>87,734</u>
Total due from related parties	<u>\$ 161,876</u>

Intergovernmental receivable

Intergovernmental receivable at June 30, 2011 consisted of the following:

Ohio Department of Education	\$ 31,468
School Lunch	<u>4,857</u>
Total intergovernmental receivable	<u>\$ 36,325</u>

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, 2011, 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***

Plan Description - 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 (888) 227-7877, or by visiting STRS Ohio web-site at www.strsoh.org.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Designed Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of 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 a 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefit – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2% under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified

rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in 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 member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan Participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 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. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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, 2011, 2010 and 2009 were \$26,654, \$24,679 and \$14,497, 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

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access 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 Chapter 3307 of the Ohio 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. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. The 14% employer contribution rate is the maximum rate established under Ohio Law. The School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$265, \$1,898, and \$1,115 respectively; 100 percent has been contributed for all fiscal years.

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, 2011.

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 review of fiscal year 2011 reconciliation revealed an overpayment of state funding to the School of \$8,564 for the year. This amount has been included as intergovernmental payables within these financial statements.

9. RELATED PARTY TRANSACTIONS:

Due to related parties

Included in due to related parties is \$36,649 due to the ISUS Institute of Construction Technology and \$28,147 due to the ISUS Institute of Manufacturing for reimbursement of administrative employees' payroll and pass through of grant funds. Also, included in due to related parties is \$5,069 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 \$334,279 for administrative services to this organization during fiscal year 2011. At June 30, 2011, the school was due \$49,828 from the organization and owed the organization \$5,069. 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 \$299,120 for administrative services to this organization during fiscal year 2011. At June 30, 2011, the school was due \$87,734 from the organization and owed the organization \$36,649. 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 \$12,335 for administrative services to this organization during fiscal year 2011. At June 30, 2011, the school was due \$24,314 from the organization and owed the organization \$28,147. 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 2011, the School leased a building and office facility under an operating lease ending June 30, 2011 from ISUS, Inc. Total lease expenses were \$179,678 for the year ended June 30, 2011, 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 2011, purchased services expenses were payments for services rendered by various vendors for the following:

Professional/Technical Services	\$	30,506
Contracted Craft/Trade Services		424,908
Administrative		<u>184,341</u>
 Total purchased services	 \$	 <u><u>639,755</u></u>

12. CAPITAL ASSETS:

A summary of the capital assets at June 30, 2011 follows:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/11</u>
<u>Capital Assets, being depreciated:</u>				
Furniture and equipment	\$ 187,507	-	-	187,507
Less: accumulated depreciation	<u>(157,459)</u>	<u>(29,385)</u>	<u>-</u>	<u>(186,844)</u>
 Capital assets, net	 \$ <u><u>30,048</u></u>	 <u><u>(29,385)</u></u>	 <u><u>-</u></u>	 <u><u>663</u></u>

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, 2011, to the School as defined in Note 9. The School paid \$299,120 for administrative services to this organization during fiscal year 2011. 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 HEALTH CARE

Notes to the Financial Statements

June 30, 2011

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, 2011, to the School as defined in Note 9. The School paid \$12,335 for administrative services to this organization during fiscal year 2011. 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 \$334,279 for administrative services to this organization during fiscal year 2011. 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, 2011 consisted of the following:

Ohio Department of Education	\$ <u>8,564</u>
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15. DUE TO RELATED PARTIES:

Due to related parties at June 30, 2011 consisted of the following:

Institute of Construction Technology	\$ 36,649
Institute of Manufacturing	28,147
ISUS, Inc.	<u>5,069</u>
Total due to related parties	\$ <u>69,865</u>

**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, 2011, and have issued our report thereon dated December 28, 2011. 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

Management of The ISUS Institute of Health Care is responsible for establishing and maintaining effective 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 is not intended to be and should not be used by anyone other than these specified parties.

Clark Schaefer Hackett & Co.

Springfield, Ohio
December 28, 2011

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

None noted.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

1. We noted the School amended its anti-harassment policy at its meeting on December 2, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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, School's sponsor and AOS, and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio
December 28, 2011

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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

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Dave Yost • 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
MARCH 29, 2012**