THE ISUS INSTITUTE OF HEALTH CARE

Financial Statements

Fourteen months ended August 31, 2012

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

Board of Governance
ISUS Institute of Healthcare
140 North Keowee Street
Dayton, Ohio 45402

We have reviewed the *Independent Auditors' Report* of the ISUS Institute of Healthcare, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through August 31, 2012. 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 Healthcare is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 4, 2013

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statement of The ISUS Institute of Health Care (the School), as of August 31, 2012 and for the period July 1, 2011 to August 31, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management.

The School has been named in a judgment (see footnote 16) with the related parties ISUS, Inc., The ISUS Institute of Construction and the ISUS Institute of Manufacturing. Due to the pending outcome of this judgment the suspension procedures required by the Ohio Department of Education have not been completed.

Due to the significance of the matter referred to in the preceding paragraph is unknown and that the suspension procedures have not been completed we are not able to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

As described in footnote 1, the Board of Trustees have suspended the operations of the school as of August 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013, 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.

Management has not presented the required management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the reporting for placing financial statements in an appropriate operational, economic, or historical context.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 31, 2013

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THE ISUS INSTITUTE OF HEALTH CARE
Statement of Net Assets
August 31, 2012

Assets		
Current assets:		
Intergovernmental receivable	$	23,431
Non-current assets, net of accumulated depreciation:		
Equipment		6,187
	$	29,618
Liabilities and Net Assets		
Liabilities:		
Cash overdraft	$	3,394
Intergovernmental payable		10,410
Accounts payable		1,933
Due to related parties		19,160
Accrued wages and benefits payable		15,001
		57,258
Net assets:		
Investment in capital assets		6,187
Unrestricted		(33,827)
Total net assets		(27,640)
Total liabilities and net assets	$	29,618

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF HEALTH CARE
Statement of Revenues, Expenses and Changes in Net Assets
Fourteen Months Ended August 31, 2012

Operating revenues:		
Foundation payments	$	506,541
Charge for services		151,116
Total operating revenues		657,657
Operating expenses:		
Salaries		229,264
Fringe benefits		72,884
Purchased services		445,292
Materials and supplies		3,881
Depreciation		3,627
Other operating expenses		469,791
Total operating expenses		1,224,739
Operating loss		(567,082)
Non-operating revenues:		
Federal grants		322,347
Interest earned		11
Contributions		41,303
ISUS (on behalf) revenue		20,444
Total non-operating revenues		384,105
Change in net assets		(182,977)
Net assets, beginning of year		155,337
Net assets, end of year	$	(27,640)

See accompanying notes to the financial statements.

THE ISUS INSTITUTE OF HEALTH CARE
Statement of Cash Flows
Fourteen Months Ended August 31, 2012

Cash flows from operating activities:		
Cash received from foundation payments	$	508,387
Cash received by charges for services		334,450
Cash used for employees for services		(298,714)
Cash used for suppliers for goods and services		(971,145)
Net cash used in operating activities		(427,022)
Cash flow from noncapital financing activities:		
Cash received from ISUS, Inc.		11,880
Cash received from federal, state, private, and local grants		322,358
Cash received from contributions		41,303
Net cash provided by noncapital financing activities		375,541
Cash flow from capital and related financing activities:		
Cash overdraft		3,394
Cash used in capital acquistions		(9,151)
Net cash used in capital and related financing activities		(5,757)
Decrease in cash and cash equivalents		(57,238)
Cash and cash equivalents at the beginning of the year		57,238
Cash and cash equivalents at the end of the year	$	-

(Continued)

See accompanying notes to the financial statements.

Cash flows from operating activities:		
Operating loss	$	(567,082)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		3,627
Bad debt expense		289,313
Changes in assets and liabilities		
Due from related parties		(127,437)
Intergovernmental receivable		12,894
Accounts payable		1,933
Intergovernmental payable		10,410
Due to related parties		(50,705)
Accrued wages and benefits payable		3,434
Other liabilities		(3,409)
Net cash used in operating activities	$	(427,022)

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 forty-six (146) students were served during the 2011 – 2012 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.

The Board of Trustees of the School voted to suspend the operations of the School as of August 30, 2012, due to financial distress and litigation disclosed in footnote 16.

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 August 31, 2012, 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 August 31, 2012, $11,512 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. INTERNGOVERNMENTAL RECEIVABLES:

Intergovernmental receivable at August 31, 2012 consisted of the following:

U. S. Dept of Education	$	23,431

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 fourteen months ended August 31, 2012, 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 $1,005,000; employee dishonesty $100,000; 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 paid 80% of the monthly premium and the employee is responsible for the remaining 20%, except for dental insurance which was 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 District 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options – New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fourteen months ended August 31, 2012, plan members were required to contribute 10 percent of their annual covered salaries.

The School's required contributions to STRS Ohio for the fourteen months ended August 31, 2012, and the fiscal years ended June 30, 2011 and June 30, 2010 were $29,464, $26,654 and $24,679, 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 – The School District contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School's contributions for health care for the fourteen months ended August 31, 2012, and the fiscal years ended June 30, 2011 and June 30, 2010 were $2,266, $265, and $1,898 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 Auditor of State is currently is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District as August 31, 2012, if applicable, cannot be determined at this time.

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 The review of fiscal year 2012 reconciliation revealed an overpayment of state funding to the School of $10,410 for the year. This amount has been included as a component of intergovernmental payables within these financial statements.

9. RELATED PARTY TRANSACTIONS:

Due to related parties

Included in due to related parties is $19,160 due to the ISUS Institute of Construction Technology for reimbursement of administrative employees' payroll and pass through grant funds. With the closure of the ISUS Institute of Construction, the remaining balance of the payable, in the amount of $114,248, was written off as of August 31, 2012.

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 $358,594 for administrative services to this organization during the fourteen months ending August 31, 2012. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), Ann Higdon, President, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Construction Technology

The ISUS Institute of Construction Technology was a community school in the State of Ohio, operated until closure on June 30, 2012, under the direction of the same Board of Governance that operates the School. The School paid $230,381 for administrative services to this organization during the fourteen months ended August 31, 2012. To obtain financial information, write to The ISUS Institute of Construction Technology, Ann Higdon, President, at 140 North Keowee Street, Dayton, OH 45402. On June 30, 2012, the Board of Trustees of the ISUS Institute of Construction voted to close the School due to financial distress.

The ISUS Institute of Manufacturing

The ISUS Institute of Manufacturing was a community school in the State of Ohio, operated until closure on June 30, 2012, under the direction of the same Board of Governance that operates the School. The School paid $29,647 for administrative services to this organization during the fourteen months ending August 31, 2012. To obtain financial information, write to The ISUS Institute of Manufacturing, Ann Higdon, President, at 140 North Keowee Street, Dayton, OH 45402. On June 30, 2012, the Board of Trustees of the ISUS Institute of Manufacturing voted to close the School due to financial distress.

10. OPERATING LEASE:

The School leased a building and office facility from ISUS, Inc. under an operating lease which ended on June 30, 2012. Total lease expenses were $44,919 for the fourteen months ended August 31, 2012, which included 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 ended August 31, 2012, purchased services expenses were payments for services rendered by various vendors for the following:

Professional/Technical Services	$	15,067
Contracted Craft/Trade Services		379,019
Administrative		51,206
Total purchased services	$	445,292

12. CAPITAL ASSETS:

A summary of the capital assets at August 31, 2012 follows:

		Balance 6/30/11	Additions	Reductions	Balance 8/31/12
Capital Assets, being depreciated:					
Furniture and equipment	$	187,507	9,151	-	196,658
Less: accumulated depreciation		(186,844)	(3,627)	-	(190,471)
Capital assets, net	$	663	5,524	-	6,187

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, Ann Higdon, President, at 140 North Keowee Street, Dayton, OH 45402.

The ISUS Institute of Construction Technology was a community school in the State of Ohio, operated until closure on June 30, 2012, 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 August 31, 2012, to the School as defined in Note 9. The School paid $230,381 for administrative services to this organization during the fourteen months ended August 31, 2012. To obtain financial information, write to The ISUS Institute of Construction, Montgomery County, Ann Higdon, President, at 140 North Keowee Street, Dayton, OH 45402. On June 30, 2012, the Board of Trustees of the ISUS Institute of Construction voted to close the School due to financial distress.

The ISUS Institute of Manufacturing was a community school in the State of Ohio, operated until closure on June 30, 2012, 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 August 31, 2012, to the School as defined in Note 9. The School paid $29,647 for administrative services to this organization during the fourteen months ended August 31, 2012. To obtain financial information, write to The ISUS Institute of Manufacturing, Ann Higdon, President, at

140 North Keowee Street, Dayton, OH 45402. On June 30, 2012, the Board of Trustees of the ISUS Institute of Manufacturing voted to close the School due to financial distress.

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 $358,594 for administrative services to this organization during the fourteen months ended August 31, 2012. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), Ann Higdon, President, at 140 North Keowee Street, Dayton, OH 45402.

14. DUE TO RELATED PARTIES:

Due to related parties at August 31, 2012 consisted of the following:

Institute of Construction Technology	$	19,160

15. INTERGOVERNMENTAL PAYABLE:

Intergovernmental payables at August 31, 2012 consisted of the following:

Ohio Department of Education	$	10,410

16. LITIGATION:

On February 13, 2012, PNC Bank filed a judgment against ISUS Institute of Construction, the ISUS Institute of Manufacturing, the ISUS Institute of Health Care and ISUS, Inc. totaling $1,165,101 resulting from a mortgage owed by ISUS, Inc. On November 1, 2012, the buildings and the personal property contained therein that were owned by ISUS, Inc were sold. As a result of the sale, about $567,060 was paid to PNC Bank to reduce the obligation amount, leaving a balance of approximately $600,000.

As of June 30, 2012, ISUS, Inc. also has a note payable to the Estate of Lowell Thomas Wood. Due to this unpaid debt, the Estate of Lowell Thomas Wood has asserted a claim in the pending litigation noted in the preceding paragraph. Management believes a tentative settlement has been reached regarding this claim and believes ISUS, Inc. will enter into an Agreed Judgment acknowledging that it owes $1,497,471.00, plus interest at 8.75%.

17. SUSPENTION OF OPERATIONS:

On August 31, 2012 the Board of Trustees of the School voted to suspend the operations of the School due to financial distress and litigation disclosed in footnote 16.

At August 31, 2012, the School had accounts receivable of $23,431, all of which was collected subsequent to year end.

At August 31, 2012, the School had accounts payable of $31,503, all of which was paid subsequent to year end.

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 were engaged to audit the financial statements of The ISUS Institute of Health Care, as of and for the fourteen months ended August 31, 2012, and have issued our report thereon dated January 31, 2013, wherein we did not express an opinion due to the significance of pending litigation and the School has not performed the required suspension procedures.

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 engagement, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2012-01 and 2012-02.

The School's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School's response and, accordingly, we express no opinion on it.

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
January 31, 2013

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p. 937.399.2000
f. 937.399.5433

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

Finding Number	2012-01

Ohio Rev. Code Section 3314.011 requires that a community school have a designated fiscal officer and that each fiscal officer be licensed under Ohio Rev. Code 3301.074.

The contract of the School's fiscal officer expired on June 30, 2012 therefore the School did not have a licensed fiscal officer for the period July 1, 2012 to August 31, 2012.

Official's Response:
Based on the evaluation to suspend the operations of the School as of August 30, 2012 and the poor financial position of the School, a replacement for the fiscal officer was not sought upon expiration of the previous officer's contract.

Finding Number	2012-02

The Board of Trustees of the School voted to suspend the operations of the School as of August 30, 2012, due to financial distress and litigation disclosed in footnote 16.

The Ohio Department of Education has developed Community School Suspension Procedures Assurances; the purpose of this document is to assure ODE that a sponsor has followed legally required community school suspension procedures in a timely manner. The sponsor is required to complete and submit to the Ohio Department of Education the *Suspension Assurances Form* as soon as practicable.

The School and Sponsor began to perform the suspension procedures required pursuant to Ohio Revised Code (ORC) section 3314.072, upon passage of the Board of Trustees resolution to suspend operations of the School as of August 30, 2012. However, not all of the five sections required in the *Suspension Assurances Form* were completed as of the audit report date.

The School's Sponsor should contact the Ohio Department of Education to rectify any outstanding items associated with the suspension of the school.

Official's Response:
The Sponsor is working to complete the required suspension procedures. Due to the pending judgment against the School, note 16, the Sponsor has been unable to complete the procedures.

CLARK SCHAEFER HACKETT
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Dave Yost • Auditor of State

ISUS INSTITUTE OF HEALTHCARE

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
APRIL 16, 2013

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