AUDITED FINANCIAL STATEMENTS

The MetroHealth Foundation, Inc.

December 31, 2008 and 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
MetroHealth Foundation, Inc.
2500 MetroHealth Drive
Towers 135A
Cleveland, Ohio 44109

We have reviewed the *Report of Independent Auditors* of the MetroHealth Foundation, Inc., Cuyahoga County, prepared by Barnes Wendling CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The MetroHealth Foundation, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 14, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

Barnes Wendling CPAs INC.

Building and maintaining net worth since 1946.

Report of Independent Auditors

March 23, 2009

Board of Directors
The MetroHealth Foundation, Inc.
Cleveland, Ohio

We have audited the accompanying statements of financial position of The MetroHealth Foundation, Inc., a component unit of the MetroHealth System, as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of The MetroHealth Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 audits provide 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 MetroHealth Foundation, Inc. at December 31, 2008 and 2007, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009, on our consideration of The MetroHealth Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 read in conjunction with this report in considering the results of our audits.

Barnes Wendling CPAs, Inc.

CERTIFIED PUBLIC ACCOUNTANTS / MANAGEMENT CONSULTANTS

1215 Superior Avenue, Suite 400
Cleveland, Ohio 44114-3289
(216) 566-9000
(800) 369-6375
(216) 566-9321 Fax

5050 Waterford Drive
Sheffield Village, Ohio 44035
(440) 934-3850
(800) 369-6375
(440) 934-3950 Fax

Web: www.barneswendling.com

The MetroHealth Foundation, Inc.

Statements of Financial Position

December 31, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	$ 1,529,584	$ 1,177,791
Promises to give, net *(Note 2)*	2,378,966	2,028,941
Investments, at fair value	18,221,896	23,128,951
Due from The MetroHealth System	402	70,334
Other	27,400	48,777
Total assets	$ 22,158,248	$ 26,454,794
Liabilities		
Accounts payable and other	$ 73,155	$ 110,779
Annuity payment obligations	151,639	144,062
Grants payable to The MetroHealth System	1,332,440	1,070,578
Notes payable *(Note 6)*	136,671	201,103
Accrued interest payable	2,076	3,055
Income tax payable	267,650	117,550
Total liabilities	1,963,631	1,647,127
Net Assets:		
Unrestricted:		
Operating	-	3,287,906
Board designated	919,690	1,188,659
Total unrestricted net assets	919,690	4,476,565
Temporarily restricted:		
Specific purpose funds *(Note 8)*	11,325,935	14,152,439
Permanently restricted:		
Endowment *(Note 7)*	7,948,992	6,178,663
Total net assets	20,194,617	24,807,667
Total liabilities and net assets	$ 22,158,248	$ 26,454,794

See notes to the financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities

Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Gifts and grants	$ 1,110,099	$ 3,918,582	$ 2,038,923	$ 7,067,604
Program income	-	70,712	-	70,712
Investment income *(Note 4)*	131,417	(3,393,973)	(1,927,717)	(5,190,273)
Investment income transfer *(Note 4)*	-	217,782	(217,782)	-
Net assets released from restrictions	4,579,022	(4,579,022)	-	-
Total revenue	5,820,538	(3,765,919)	(106,576)	1,948,043
Expenses				
Grants and distributions	4,932,822	-	-	4,932,822
Fundraising expenses	972,700	-	-	972,700
Administrative expenses:				
Purchased services	361,452	-	-	361,452
Provision for bad debts	443	-	-	443
Unrelated business income tax *(Note 9)*	340,518	-	-	340,518
Other	252,858	-	-	252,858
Total administrative expenses	955,271	-	-	955,271
Total expenses	6,860,793	-	-	6,860,793
Increase (decrease) in net assets	(1,040,255)	(3,765,919)	(106,576)	(4,912,750)
Net assets at beginning of year	4,476,565	14,152,439	6,178,663	24,807,667
Net asset transfer (*Note 4*)	(2,516,620)	639,715	1,876,905	-
Transfer from The MetroHealth System (*Note 5*)	-	299,700	-	299,700
Net assets at end of year	$ 919,690	$ 11,325,935	$ 7,948,992	$ 20,194,617

See notes to the financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities

Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Gifts and grants	$ 1,389,587	$ 5,038,551	$ 372,719	$ 6,800,857
Program income	-	89,126	-	89,126
Investment income *(Note 4)*	1,044,760	642,859	419,398	2,107,017
Investment income transfer *(Note 4)*	-	319,851	(319,851)	-
Net assets released from restrictions	5,083,071	(5,083,071)	-	-
Total revenue	7,517,418	1,007,316	472,266	8,997,000
Expenses				
Grants and distributions	5,419,624	-	-	5,419,624
Fundraising expenses	1,045,760	-	-	1,045,760
Administrative expenses:				
Purchased services	373,524	-	-	373,524
Provision for bad debts	46,046	-	-	46,046
Unrelated business income tax *(Note 9)*	246,131	-	-	246,131
Other	277,586	-	-	277,586
Total administrative expenses	943,287	-	-	943,287
Total expenses	7,408,671	-	-	7,408,671
Increase in net assets	108,747	1,007,316	472,266	1,588,329
Net assets at beginning of year	4,367,818	12,465,019	5,706,397	22,539,234
Transfer from The MetroHealth System (*Note 5*)	-	680,104	-	680,104
Net assets at end of year	$ 4,476,565	$ 14,152,439	$ 6,178,663	$ 24,807,667

See notes to the financial statements.

The MetroHealth Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	2008	2007
Operating activities		
Increase (decrease) in net assets	**$(4,912,750)**	$ 1,588,329
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Permanently restricted contributions	**(2,038,923)**	(372,719)
Net (gain) loss on investments	**5,694,435**	(1,656,943)
(Increase) decrease in assets:		
Promises to give, net	**(350,025)**	408,509
Due from The MetroHealth System	**69,932**	26,616
Other assets	**21,377**	(30,323)
Increase (decrease) in liabilities:		
Accounts payable	**(37,624)**	30,562
Grants payable	**261,862**	128,316
Accrued interest payable	**(979)**	(938)
Income tax payable	**150,100**	(143,450)
Annuity payment obligations	**7,577**	25,068
Net cash provided by (used in) operating activities	**(1,135,018)**	3,027
Investing activities		
Proceeds from sale of investments	**4,224,741**	1,838,218
Purchase of investments	**(5,012,121)**	(2,932,342)
Net cash used in investing activities	**(787,380)**	(1,094,124)
Financing activities		
Repayment of long-term debt	**(64,432)**	(61,793)
Fund transfers	**299,700**	680,104
Permanently restricted contributions	**2,038,923**	372,719
Net cash provided by financing activities	**2,274,191**	991,030
(Decrease) increase in cash and cash equivalents	**351,793**	(100,067)
Cash and cash equivalents at beginning of year	**1,177,791**	1,277,858
Cash and cash equivalents at end of year	**$ 1,529,584**	$ 1,177,791
Cash paid for interest	**$ 7,147**	$ 9,785
Cash paid for income taxes	**$ 202,350**	$ 390,703

See notes to the financial statements.

1. Summary of Organization and Significant Accounting Policies

The MetroHealth Foundation, Inc. (the Foundation) is a not-for-profit organization. The Foundation's purpose is to raise charitable funds and receive grants for the support of projects and goals of The MetroHealth System (the System). Certain administrative and development services are provided to the Foundation by the System and are recorded by the Foundation as an in-kind contribution with a corresponding expense.

A summary of significant accounting policies is presented below:

Income Taxes — The Foundation is an Ohio nonprofit corporation and was granted tax exempt status under Section 501(c) (3) of the Internal Revenue Code and is exempt from income tax on related income pursuant to Section 501(a) of the Code. The Foundation is required to pay income taxes on unrelated business income earned by the Foundation as discussed in Note 9.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For purposes of the financial statements, cash held in investment managed accounts is classified as investments.

Investments and Investment Income (Loss) — The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.* SFAS No. 124 provides that certain investments are stated at fair value based upon quoted market prices and changes in unrealized gains and losses are reflected in the statement of activities. Investment income includes realized gains and losses (the difference between proceeds received and average cost), unrealized gains and losses, interest, dividends and fees.

1. Summary of Organization and Significant Accounting Policies (continued)

Annuity Payment Obligations — The Foundation has entered into gift annuity agreements, which include provisions requiring the Foundation to pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, unrestricted assets of the Foundation will be utilized to fund future payments.

Contributions — The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS No. 116 provides that contributions be recognized as revenue in the period in which the pledge (promise to give) is received.

Presentation — The Foundation follows the recommendations of Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Donated Services — Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Unrestricted Net Assets — Unrestricted net assets result from public support and revenue not subject to donor imposed restrictions. Gifts and grants revenue includes gifts in-kind that are recorded at fair value as of the donation date. At December 31, 2008 and 2007, the Foundation's Board of Directors had designated $919,690 and $1,188,659, respectively, for specific future use.

Temporarily Restricted Net Assets — Temporarily restricted net assets are used to differentiate resources, the use of which has been restricted by the donors or grantors to a specific time period or purpose, from resources on which no external restrictions have been placed or which arise as a result of the operation of the Foundation. Temporarily restricted gifts and related investment income are recorded as an addition to temporarily restricted net assets in the period received.

The MetroHealth Foundation, Inc.

Notes to Financial Statements (continued)

Years Ended December 31, 2008 and 2007

1. Summary of Organization and Significant Accounting Policies (continued)

Permanently Restricted Net Assets — Permanently restricted net assets (endowment funds) consist of amounts held in perpetuity for terms designated by donors. Investment income from investments in permanently restricted net assets is recorded as an increase to the related temporarily restricted net assets. Unrealized gains and losses on investments are recorded as an addition or reduction to permanently restricted net assets in the period received in accordance with the donor's intentions. In the event that the market value of permanently restricted net assets falls below the original corpus of invested funds, the unrestricted fund balance is encumbered to maintain donor restricted endowment funds at the level required by donor stipulation. Earnings on investments of the endowment funds are expendable to support awards, education and research activities.

Fair Value of Financial Instruments – The Foundation records its financial instruments in accordance with Statement of Financial Accounting Standards No. 157 Fair Value Measurements (SFAS No. 157). In accordance with SFAS No. 157, fair value is defined as the price that the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. SFAS No. 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the investments)

The input or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

1. Summary of Organization and Significant Accounting Policies (continued)

Fair Value of Financial Instruments (Continued)
The units of account that are valued by the Foundation are its interest in the limited partnerships or other financial instruments and not the underlying holdings of such limited partnerships or other financial instruments. Thus, the inputs used by the Foundation to value its investments in each of the limited partnerships or other financial instruments may differ from the inputs used to value the underlying holdings of such limited partnerships or other financial instruments.

The following is a summary of the inputs used as of December 31, 2008 in valuing the Foundation's investments carried at fair value:

	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 16,111,184	$ 16,111,184	$ -	$ -
Common Stock-Private	103,162	-	-	103,162
Limited Partnership Interests	2,007,550	-	-	2,007,550
	$ 18,221,896	$ 16,111,184	$ -	$ 2,110,712

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

Balance as of January 1, 2008	$ 922,444
Net purchases of limited partnerships	1,400,000
Net change in unrealized depreciation	(265,904)
Realized gain	54,172
Balance as of December 31, 2008	$ 2,110,712
Net change in unrealized depreciation from investments in limited partnerships and common stock – private, still held as of December 31, 2008	$ (265,904)

Reclassifications — Certain amounts from the 2007 financial statements have been reclassified to conform with the 2008 presentation.

2. Promises to Give

Pledge receivables are recorded at net present value using a variable discount rate, ranging from 3.25% to 4.25% for 2008 and 4.60% for 2007, less an allowance for uncollectible accounts, and are due in future years at December 31, as follows:

	2008	2007
Less than one year	**$ 1,262,918**	$ 873,385
One to five years	**1,307,552**	1,357,611
	2,570,470	2,230,996
Allowance for uncollectible pledges and present value discount	**(191,504)**	(202,055)
	$ 2,378,966	$ 2,028,941

3. Conditional Promises to Give

The Foundation received a conditional pledge of $10,000,000 commencing in 2005 payable over the next 10 years at $1,000,000 per year. The outstanding balance of $6,182,125 at December 31, 2008 is not included in these financial statements in accordance with SFAS No. 116.

The Foundation received a conditional pledge of $500,000 commencing in 2006 and ending in July 2010. The outstanding balance of $293,216 at December 31, 2008 is not included in these financial statements in accordance with SFAS No. 116.

The Foundation received a conditional pledge in the form of a 3-year challenge grant totaling $300,000 commencing in May of 2007. The requirements for receipt of the first and second $100,000 payments have been met, and the Foundation has received $100,000 for each of these requirements during the years ended December of 2008 and 2007, respectively. The outstanding balance of $100,000 at December 31, 2007 is not included in these financial statements in accordance with SFAS No. 116.

The Foundation received a conditional pledge of $500,000 commencing in 2007 and ending in June 2011. The outstanding balance of $300,000 at December 31, 2008 is not included in these financial statements in accordance with SFAS No. 116.

4. Investments

Fair value and cost of investments at December 31, are as follows:

	2008		2007	
	Fair Value	**Cost**	Fair Value	Cost
Cash and Cash Equivalents	**$ 1,456,166**	**$ 1,456,166**	$ 1,299,944	$ 1,299,944
Mutual funds	**14,655,018**	**20,185,429**	20,906,563	19,893,931
Common stock	**103,162**	**75,000**	106,938	75,000
Hateras Limited Partnership Interest	**1,134,096**	**1,400,000**	-	-
Premier Purchasing Partners, L.P.	**873,454**	**873,454**	815,506	815,506
	$ 18,221,896	**$ 23,964,473**	$ 23,128,951	$ 22,084,381

Investment income for the years ending December 31, 2008 and 2007 consisted of the following:

	2008	2007
Interest and dividends	**$ 563,901**	$ 518,988
Net realized gains	**1,038,647**	1,252,946
Net change in unrealized gains (losses)	**(6,733,083)**	408,695
Less investment management fees	**(59,738)**	(73,612)
	$(5,190,273)	$ 2,107,017

The Foundation's investments had cumulative unrealized gains of $524,176 and $1,721,849 and cumulative unrealized losses of $5,794,618 and $259,208 at December 31, 2008 and 2007, respectively.

The investment and spending policies of the Foundation provide for realized gains and losses, interest and dividends from endowed investments to be classified as temporarily restricted in accordance with the donors' intent. Unrealized gains and losses from endowed investments are maintained as permanently restricted unless the market value of permanently restricted net assets falls below the corpus. In that event, the unrestricted fund balance is encumbered to maintain donor restricted endowment funds at the level required by donor stipulation. In 2008, the Foundation transferred $1,876,905 to maintain the corpus of the endowment. Additionally, due to financial market conditions, the Board may restore temporarily restricted net assets from unrestricted funds to support the commitments of donor-driven gifts or grants. For the year 2008, $639,715 was transferred for this purpose.

5. Related Party Transactions

The System transfers unrestricted monies primarily related to completed clinical trials and temporarily restricted donations to the Foundation. The System submits grant proposals to the Foundation. It also requests distributions of funds as expenses are incurred by the System that are consistent with the Foundation fund purposes. In 2008, the System transferred net assets to the temporarily restricted net assets in the amount of $299,700. In 2007, the System transferred temporarily restricted net assets to the Foundation in the amount of $680,104. Grants and distributions payable of $1,332,440 and $1,070,578 were due to the System for grants approved by the Foundation, but not yet paid, at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, there were no outstanding grant requests. The Foundation has recorded an additional receivable for equity transfers and other items from the System of $402 and $70,334 for the years ended December 31, 2008 and 2007, respectively. The MetroHealth System identified In-Kind Support to the Foundation for 2008 and 2007 representing purchased services, rent and other expenses which are included in these financial statements in the amount of $895,500 and $919,465, respectively.

6. Notes Payable

The Foundation's obligation under notes payable consists of the following:

	2008	2007
3.96% note payable, due in semi annual installments plus interest, through June 30, 2010, secured by a Collateral Assignment of limited partnership interest in Premier Purchasing Partners, L.P.	**$ 136,671**	$ 201,103

The future scheduled maturities of the notes payable are as follows:
Years ending December, 31:

2009	**$ 67,000**
2010	**69,671**
	$ 136,671

7. Permanently Restricted Net Assets

Permanently restricted assets at December 31 are as follows:

	2008	2007
Anesthesiology	$ 523	$ 524
Community Health	986,071	1,035,055
Dentistry	25	26
Dermatology	96,397	100,958
Heart and Vascular	249,427	249,578
Medical Education	368,070	366,290
Medical Specialties	121,349	118,024
Nursing	5,637	0
Orthopaedics	2,167,308	1,125,610
Pastoral Care	9,017	9,444
Pathology	1,464	1,533
Pediatrics	435,447	449,739
Physical Medicine and Rehabilitation	1,015,397	1,063,319
Primary Care	35,099	35,836
Psychiatry	1,632	1,600
Radiology	6,230	6,190
Research	1,462,053	831,275
Surgical Specialties	718,855	535,467
System Wide	165,764	150,326
Women's Health	103,227	97,869
	$ 7,948,992	$ 6,178,663

Corpus Restoration

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, variances of this nature that are reported in unrestricted net assets were $1,876,905 at December 31, 2008. These variances resulted from unfavorable market fluctuations that occurred in the year. There were no such deficiencies at December 31, 2007.

7. Permanently Restricted Net Assets (continued)

Return Objectives and Risk Parameters

The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 36 months through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity and to provide additional real growth through new gifts and investment return.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets available for the following purposes at December 31, are as follows:

	2008	2007
Anesthesiology	$ 142,787	$ 220,475
Care Management and Social Work	13,312	5,740
Community Health	2,253,403	3,321,195
Dentistry	12,718	12,600
Dermatology	6,995	6,646
Emergency Medicine	234,077	315,886
Heart and Vascular	759,005	956,633
Medical Operations	304,511	365,324
Medical Specialties	965,486	1,207,908
Nutrition	14,547	20,361
Orthopedics	987,938	644,144
Pathology	16,475	22,010
Pediatrics	544,309	540,016
Physical Medicine and Rehabilitation	617,543	827,927
Primary Care	108,006	150,999
Psychiatry	290,016	389,660
Pulmonary	149,252	213,328
Radiology	221,853	335,175
Research	612,753	642,689
Surgical Specialties	1,482,468	2,288,211
System Wide	1,418,051	1,357,521
Women's Health	107,885	219,453
Unrestricted Promises to Give	62,545	88,538
	$ 11,325,935	$ 14,152,439

9. Unrelated Business Income Tax

As discussed in Note 1, the Foundation is exempt from paying income taxes on income related to its general business purpose. The Foundation is required to pay taxes on unrelated business income, such as the income earned through the Foundation's investment in Premier Purchasing Partners, L.P. During the years ended December 31, 2008 and 2007, the Foundation received income of $796,525 and $613,573, respectively, from its investment in Premier Purchasing Partners, L.P. Additionally, the Foundation has estimated it will receive another $472,135 of income in 2009 that was earned prior to December 31, 2008. As such, the Foundation has paid $217,214 of estimated taxes and accrued an additional $267,650 at December 31, 2008 based on this estimate.

10. Grants Expended from Net Assets Released from Restrictions

Grants were expended from net assets released from restrictions for the years ended December 31, as follows:

	2008	2007
Net assets were released from donor restrictions by incurring expense satisfying the following temporarily restricted purposes:		
Capital Equipment	**$1,096,386**	$1,566,595
Education	**936,595**	918,594
Fundraising	**16,600**	37,854
Patient Care	**2,106,055**	1,552,173
Research	**375,461**	361,845
Recruitment	**27,116**	39,691
Other	**20,809**	606,319
	$ 4,579,022	$ 5,083,071

11. Concentrations

The Foundation maintains cash balances at banks, which are insured by the Federal Deposit Insurance Corporation (on October 3, 2008, FDIC deposit insurance temporarily increased from $100,000 to $250,000 per depositor through December 31, 2009) the Foundation may exceed this amount from time to time.

12. Other Accomplishments

Donors occasionally make their gifts directly to the System. Notably, The Kresge Foundation made a conditional grant to The MetroHealth System of $1,000,000 in 2007 for the Senior Health & Wellness Center (SHWC) Campaign. Additionally, the State of Ohio made a capital appropriation to The MetroHealth System of $1,000,000 for equipment related to the SHWC Campaign.

MetroHealth is currently conducting a collaborative SHWC Campaign and The MetroHealth Foundation is receiving and distributing fundraising revenue on behalf of The MetroHealth System and its collaborative partners, Concordia Care, and the Visiting Nurse Association Hospice and Palliative Care Partners of Ohio.

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

March 23, 2009
The Board of Directors
The MetroHealth Foundation, Inc.
Cleveland, Ohio

We have audited the financial statements of The MetroHealth Foundation, Inc., a component unit of The MetroHealth System, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 23, 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 MetroHealth Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The MetroHealth Foundation's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of The MetroHealth Foundation'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 misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The MetroHealth Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the board of trustees, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs, Inc.

METROHEALTH FOUNDATION, INC.

CUYAHOGA 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
AUGUST 5, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us