THE ISUS INSTITUTE OF HEALTH CARE

Financial Statements

June 30, 2010

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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

We have reviewed the *Independent Auditors' Report* of the ISUS Institute of Health Care, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. 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.

Dave Yost

Dave Yost
Auditor of State

February 3, 2011

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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 have audited the accompanying basic financial statements of The ISUS Institute of Health Care (the School), as of and for the year ended June 30, 2010, 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, 2010, 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 29, 2010, 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.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 29, 2010

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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, 2010. 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, 2010 are as follows:

- Total assets decreased by $47,556, which represents a 26 percent decrease from the prior year. The decrease resulted from a $36,974 decrease in due from related parties and a $37,501 decrease in capital assets net of accumulated depreciation offset by a $27,888 increase in intergovernmental receivables.

- Total liabilities decreased by $161,348, which represents an 86 percent decrease from the prior year. The decrease resulted from a $171,571 decrease in due to related parties offset by a $8,694 increase in accrued wages and benefits payable.

- The operating loss reported for the period ended June 2010 of $247,975 was $149,472 less than the operating loss reported for the period ended June 2009 of $397,447.

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 2010 compared with fiscal year 2009.

Table 1
Net Assets

		2010	2009
Assets			
Current and other assets	$	103,809	113,864
Capital assets, net		30,048	67,549
Total assets		133,857	181,413
Liabilities:			
Current liabilities		25,216	186,564
Total liabilities		25,216	186,564
Net assets:			
Invested in capital assets		30,048	67,549
Unrestricted		78,593	(72,700)
Total net assets	$	108,641	(5,151)

Total net assets, of the School, increased by $113,792, primarily due to an increase in foundation payments generated from an increase in enrollment.

The decrease of $10,055 in current assets resulted from a decrease in due from related parties of $36,974 and prepaid items of $5,077, offset by an increase in cash and cash equivalents of $4,108 and intergovernmental receivables of $27,888. The decrease in due from related parties resulted from decreased receivables from ISUS Institute of Construction Technology. The increase in intergovernmental receivables resulted from an increase in amounts due from the Ohio Department of Education.

The decrease of $161,348 in current liabilities resulted from a $171,571 decrease in due to related parties offset by an increase of $8,694 in accrued wages and benefits payable which was due to an increase in staff.

The decrease of $37,501 in net assets invested in capital assets was due to normal depreciation of $37,501. The increase of $151,293 in unrestricted net assets was due to the changes in current assets and liabilities described above.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, as well as revenue and expense comparisons to fiscal year 2009.

Table 2
Changes in Net Assets

		2010	2009
Operating revenues:			
Foundation payments	$	706,760	298,279
Charge for services		78,757	92,558
Non-operating revenues			
State and Federal grants		176,601	70,243
Contributions		122,664	58,328
Interest earned		12	6
ISUS (on behalf) revenue		62,490	501,698
Total revenues		1,147,284	1,021,112
Operating expenses:			
Salaries		192,240	109,678
Fringe benefits		52,681	27,454
Purchased services		685,530	573,106
Materials and supplies		8,542	5,401
Depreciation		37,501	37,501
Other expenses		56,998	35,144
Total operating expenses		1,033,492	788,284
Change in net assets		113,792	232,828
Net assets, beginning of year		(5,151)	(237,979)
Net assets, end of year	$	108,641	(5,151)

Operating revenues increased $394,680 as compared to the period ended June 2009. The increase was due to $408,481 increase in foundation payments as a result of an increase in student FTE's offset by a decrease in charges for services of $13,801 due to a decrease in billings for administrative services to the other ISUS Institutes and the ISUS, Inc.

Total expenses reported for the period ended June 30, 2010 were $245,208 more than the total expenses reported for the period ended June 30, 2009. Salaries and fringe benefits increased by $107,789 due to an increase in staff. Purchased services increased by $112,424 due to an increase in rent and contract costs. Other expenses increased by $21,854 due to a increase in the purchase of bus tokens and sponsorship fees.

Non-operating revenues decreased by $268,508 as compared to the prior year. On behalf revenue decreased by $439,208 due to the ISUS Institute of Construction, forgiving a significant portion of the amount it was due in 2009. State and Federal grants increased by $106,358 due to increased student enrollment.

Capital Assets

At June 30, 2010 capital assets of the School were $187,507 offset by $157,459 in accumulated depreciation resulted in net capital assets of $30,048. Table 3 shows the categories of capital assets maintained by the School, net of accumulated depreciation, at June 30, 2010 and 2009.

Table 3
Capital Assets, net of depreciation

		2010	2009
Equipment	$	187,507	187,507
Less: accumulated depreciation		(157,459)	(119,958)
Totals	$	30,048	67,549

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

Debt

At June 30, 2010, the School did not have any debt obligations.

Contacting the School

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

Assets		
Current assets:		
Cash and cash equivalents	$	6,311
Due from related parties		61,179
Intergovernmental receivable		36,319
		103,809
Non-current assets, net of accumulated depreciaiton:		
Equipment		30,048
	$	133,857
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	4,733
Due to related parties		8,187
Accrued wages and benefits payable		12,296
		25,216
Net assets		
Investment in capital assets		30,048
Unrestricted		78,593
		108,641
	$	133,857

See accompanying notes to the financial statements.

Operating revenues:		
Foundation payments	$	706,760
Charge for services		78,757
Total operating revenues		785,517
Operating expenses:		
Salaries		192,240
Fringe benefits		52,681
Purchased services		685,530
Materials and supplies		8,542
Depreciation		37,501
Other operating expenses		56,998
Total operating expenses		1,033,492
Operating loss		(247,975)
Non-operating revenues		
Federal grants		171,601
State grants		5,000
Interest earned		12
Contributions		122,664
ISUS (on behalf) revenue		62,490
Total non-operating revenues		361,767
Change in net assets		113,792
Net assets, beginning of year		(5,151)
Net assets, end of year	$	108,641

See accompanying notes to the financial statements.

Cash flows from operating activities:		
Cash received from foundation payments	$	706,047
Cash received by charges for services		98,351
Cash used for employees for services		(231,150)
Cash used for suppliers for goods and services		(930,907)
Net cash used in operating activities		(357,659)
Cash flow from noncapital financing activities		
Cash received from ISUS, Inc.		62,490
Cash received from federal, state, private, and local grants		176,613
Cash received from contributions		122,664
Net cash provided by noncapital financing activities		361,767
Increase in cash and cash equivalents		4,108
Cash and cash equivalents at the beginning of the year		2,203
Cash and cash equivalents at the end of the year	$	6,311

(Continued)

Cash flows from operating activities:		
Operating loss	$	(247,975)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		37,501
Changes in assets and liabilities		
Prepaid expenses		5,077
Due from related parties		36,974
Intergovernmental receivable		(27,888)
Accounts payable		1,579
Due to related parties		(171,571)
Accrued wages and benefits payable		8,694
Other liabilities		(50)
Net cash used in operating activities	$	(357,659)

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 fifty five (155) students were served during the 2009-2010 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.

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, 2010, $17,636 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, 2010 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, 2010 consisted of the following:

ISUS, Inc.	$	58,175
ISUS Institute of Construction Technology		3,004
Total due from related parties	$	61,179

Intergovernmental receivable

Intergovernmental receivable at June 30, 2010 consisted of the following:

Ohio Department of Education	$	36,319

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, 2010, 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 (614) 227-4090, or by visiting STRS Ohio web-site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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 Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. 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 - For the fiscal year ended June 30, 2010, 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 2009, 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, 2010, 2009 and 2008 were $24,679, $14,497 and $36,616, 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 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. 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 law 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 pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were $1,898, $1,115, and $2,615 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, 2010.

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 2010 reconciliation revealed an underpayment of state funding to the School of $10,508 for the year. This amount has been included as a component of intergovernmental receivable within these financial statements.

9. RELATED PARTY TRANSACTIONS:

Due to related parties

Included in due to related parties is $2,699 due to the ISUS Institute of Construction Technology for reimbursement of administrative employees' payroll and pass through of grant funds. Also, included in due to related parties is $5,488 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 $355,644 for administrative services to this organization during fiscal year 2010. At June 30, 2010, the school was due $58,175 from the organization and owed the organization $5,488. 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 $447,613 for administrative services to this organization during fiscal year 2010. At June 30, 2010, the school was due $3,004 from the organization and owed the organization $2,699. 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 $47,581 for administrative services to this organization during fiscal year 2010. At June 30, 2010, the school was not due or owed anything from the organization. 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 2010, the School leased a building and office facility under an operating lease ending June 30, 2010 from ISUS, Inc. Total lease payments were $134,760 for the year ended June 30, 2010, 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 2010, purchased services expenses were payments for services rendered by various vendors for the following:

Professional/Technical Services	$	38,214
Contracted Craft/Trade Services		469,396
Administrative		177,920
Total purchased services	$	685,530

12. CAPITAL ASSETS:

A summary of the capital assets at June 30, 2010 follows:

		Balance 6/30/09	Additions	Reductions	Balance 6/30/10
Capital Assets, being depreciated:					
Furniture and equipment	$	187,507	-	-	187,507
Less: accumulated depreciation		(119,958)	(37,501)	-	(157,459)
Capital assets, net	$	67,549	(37,501)	-	30,048

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, 2010, to the School as defined in Note 9. The School paid $447,613 for administrative services to this organization during fiscal year 2010. To obtain financial information, write to The ISUS Institute of Construction, Montgomery County, David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

The ISUS Institute of Manufacturing is a community school in the State of Ohio, operated under the direction of the same Board of Governance that operates the School. The School provides administrative services to the abovementioned community school with an amount due, as of June 30, 2010, to the School as defined in Note 9. The School paid $47,581 for administrative services to this organization during fiscal year 2010. 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 $355,644 for administrative services to this organization during fiscal year 2010. To obtain financial information, write to Improved Solutions for Urban Systems, Inc. (ISUS), David Bridge, Accountant, at 140 North Keowee Street, Dayton, Ohio 45402.

14. DUE TO RELATED PARTIES:

Due to related parties at June 30, 2010 consisted of the following:

Institute of Construction Technology	$	2,699
ISUS, Inc.		5,488
Total due to related parties	$	8,187

<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*</u>

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, 2010, and have issued our report thereon dated December 29, 2010. 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.

<u>Internal Control Over Financial Reporting</u>
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.

<u>Compliance and Other Matters</u>
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*.

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This report is intended solely for the information and use of the Board of Governance, management, others within the School and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2010

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

None noted.

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

SINCE 1938

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

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Governance:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 10, 2008 and subsequently adopted a revised policy on December 2, 2010 to require a semi-annual report on incidents of harassment, discrimination, intimidation and/or bullying will be made to the ISUS Board of Directors by the Superintendent with information posted on the ISUS website as required by law.

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

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

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

   (3) A procedure for reporting prohibited incidents;

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

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

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

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

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

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

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended – as of December 29, 2010. As per discussion with the School Superintendent and review of Board of Directors minutes, ISUS Institute of Health Care did not have any reported incidents as of December 29, 2010. ISUS Institute of Health Care's website is currently under construction, therefore, a summary has not been posted on the web site.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2010

ISUS INSTITUTE OF HEALTH CARE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 15, 2011

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