

AUDITED FINANCIAL STATEMENTS

The MetroHealth Foundation, Inc.

December 31, 2007 and 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
MetroHealth Foundation
2500 MetroHealth Dr.
Cleveland, Ohio 44109

We have reviewed the *Report of Independent Auditors* of the MetroHealth Foundation, Cuyahoga County, prepared by Barnes Wendling CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. 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 is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 12, 2008

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Building and maintaining net worth since 1946.

Report of Independent Auditors

March 22, 2008

Board of Trustees
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, 2007 and 2006, 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, 2007 and 2006, 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 22, 2008, 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 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.

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The MetroHealth Foundation, Inc.

Statements of Financial Position

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and cash equivalents	\$ 1,177,791	\$ 1,277,858
Promises to give, net <i>(Note 3)</i>	2,028,941	2,437,450
Investments, at fair value	23,128,951	20,377,884
Due from The MetroHealth System	70,334	96,950
Other	48,777	18,454
Total assets	<u>\$ 26,454,794</u>	<u>\$ 24,208,596</u>
Liabilities		
Accounts payable and other	\$ 110,779	\$ 80,217
Annuity payment obligations	144,062	118,994
Grants payable to The MetroHealth System	1,070,578	942,262
Notes payable <i>(Note 6)</i>	201,103	262,896
Accrued interest payable	3,055	3,993
Income tax payable	117,550	261,000
Total liabilities	<u>1,647,127</u>	<u>1,669,362</u>
Net Assets:		
Unrestricted:		
Operating	3,287,906	3,233,038
Board designated	1,188,659	1,134,780
Temporarily restricted:		
Specific purpose funds <i>(Note 8)</i>	14,152,439	12,465,019
Permanently restricted:		
Endowment <i>(Note 7)</i>	6,178,663	5,706,397
Total net assets	<u>24,807,667</u>	<u>22,539,234</u>
Total liabilities and net assets	<u>\$ 26,454,794</u>	<u>\$ 24,208,596</u>

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 5)	1,044,760	642,859	419,398	2,107,017
Investment income transfer (Note 5)	-	319,851	(319,851)	-
Net assets released from restrictions	5,083,071	(5,083,071)	-	-
Total revenue	<u>7,517,418</u>	<u>1,007,316</u>	<u>472,266</u>	<u>8,997,000</u>
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	<u>943,287</u>	<u>-</u>	<u>-</u>	<u>943,287</u>
Total expenses	<u>7,408,671</u>	<u>-</u>	<u>-</u>	<u>7,408,671</u>
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 2)	-	680,104	-	680,104
Net assets at end of year	<u>\$ 4,476,565</u>	<u>\$ 14,152,439</u>	<u>\$ 6,178,663</u>	<u>\$ 24,807,667</u>

See notes to the financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities

Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Gifts and grants	\$ 1,189,582	\$ 4,381,463	\$ 164,039	\$ 5,735,084
Program income	-	90,666	-	90,666
Investment income (Note 5)	1,330,163	686,731	636,220	2,653,114
Investment income transfer (Note 5)	-	957,877	(957,877)	-
Net assets released from restrictions	2,747,992	(2,747,992)	-	-
Total revenue	5,267,737	3,368,745	(157,618)	8,478,864
Expenses				
Grants and distributions	3,117,115	-	-	3,117,115
Fundraising expenses	851,541	-	-	851,541
Administrative expenses:				
Purchased services	360,337	-	-	360,337
Provision for bad debts	3,344	-	-	3,344
Unrelated business income tax (Note 9)	276,050	-	-	276,050
Other	273,363	-	-	273,363
Total administrative expenses	913,094	-	-	913,094
Total expenses	4,881,750	-	-	4,881,750
Increase in net assets	385,987	3,368,745	(157,618)	3,597,114
Net assets at beginning of year	3,981,831	8,671,619	5,864,015	18,517,465
Transfer from The MetroHealth System (Note 2)	-	424,655	-	424,655
Net assets at end of year	\$ 4,367,818	\$ 12,465,019	\$ 5,706,397	\$ 22,539,234

See notes to the financial statements.

The MetroHealth Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating activities		
Increase in net assets	\$ 1,588,329	\$ 3,597,114
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(372,719)	(164,039)
Net gain on investments	1,656,943	2,310,697
(Increase) decrease in assets:		
Promises to give, net	408,509	(1,086,058)
Due from The MetroHealth System	26,616	3,605
Other assets	(30,323)	(3,424)
Increase (decrease) in liabilities:		
Accounts payable	30,562	(59,957)
Grants payable	128,316	(529,955)
Accrued interest payable	(938)	(1,204)
Income tax payable	(143,450)	154,000
Annuity payment obligations	25,068	46,510
Net cash provided by operating activities	<u>3,316,913</u>	<u>4,267,289</u>
Investing activities		
Proceeds from sale of investments	1,838,218	11,247,112
Purchase of investments	<u>(6,246,228)</u>	<u>(15,391,142)</u>
Net cash used in investing activities	<u>(4,408,010)</u>	<u>(4,144,030)</u>
Financing activities		
Repayment of long-term debt	(61,793)	(118,089)
Fund transfers	680,104	424,655
Permanently restricted contributions	372,719	164,039
Net cash provided by financing activities	<u>991,030</u>	<u>470,605</u>
(Decrease) increase in cash and cash equivalents	<u>(100,067)</u>	593,864
Cash and cash equivalents at beginning of year	1,277,858	683,994
Cash and cash equivalents at end of year	<u>\$ 1,177,791</u>	<u>\$ 1,277,858</u>
Cash paid for interest	<u>\$ 9,785</u>	<u>\$ 12,555</u>
Cash paid for income taxes	<u>\$ 390,703</u>	<u>\$ 122,050</u>

See notes to the financial statements.

The MetroHealth Foundation, Inc.

Notes to Financial Statements

Years Ended December 31, 2007 and 2006

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. Cash held in investment managed accounts is classified as investments and included within mutual funds.

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.

The MetroHealth Foundation, Inc.

Notes to Financial Statements (continued)

Years Ended December 31, 2007 and 2006

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, 2007 and 2006, the Foundation's Board of Directors had designated \$1,188,659 and \$1,134,780, 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, 2007 and 2006

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. Earnings on investments of the endowment funds are expendable to support awards, education and research activities.

Reclassifications — Certain amounts from the 2006 financial statements have been reclassified to conform with the 2007 presentation.

2. 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 2007, the System transferred net assets to the temporarily restricted net assets in the amount of \$680,104. In 2006, the System transferred temporarily restricted net assets to the Foundation in the amount of \$424,655. Grants and distributions payable of \$1,070,578 and \$942,262 were due to the System for grants approved by the Foundation, but not yet paid, at December 31, 2007 and 2006, respectively. At December 31, 2007 and 2006, there were no outstanding grant requests. The Foundation has recorded an additional receivable for equity transfers and other items from the System of \$70,334 and \$96,950 for the years ended December 31, 2007 and 2006, respectively. The MetroHealth System identified In-Kind Support to the Foundation for 2007 and 2006 representing purchased services, rent and other expenses which are included in these financial statements in the amount of \$919,465 and \$738,176, respectively.

The MetroHealth Foundation, Inc.
Notes to Financial Statements (continued)

Years Ended December 31, 2007 and 2006

3. Promises to Give

Pledge receivables are recorded at net present value using a discount rate of 4.60% for 2007 and 4.25% for 2006, less an allowance for uncollectible accounts, and are due in future years at December 31, as follows:

	2007	2006
Less than one year	\$ 873,385	\$ 1,086,250
One to five years	1,357,611	1,631,037
	2,230,996	2,717,287
Allowance for uncollectible pledges and present value discount	(202,055)	(279,837)
	\$ 2,028,941	\$ 2,437,450

4. 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 \$7,000,000 at December 31, 2007 is not included in these financial statements in accordance with SFAS No. 117.

The Foundation received a conditional pledge of \$500,000 commencing in 2006 and ending in July 2010. The outstanding balance of \$375,000 at December 31, 2007 is not included in these financial statements in accordance with SFAS No. 117.

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 \$100,000 payment have been met, and the initial payment on the pledge was received by The Foundation in December of 2007. The outstanding balance of \$200,000 at December 31, 2007 is not included in these financial statements in accordance with SFAS No. 117.

The MetroHealth Foundation, Inc.
Notes to Financial Statements (continued)

Years Ended December 31, 2007 and 2006

5. Investments

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

	2007		2006	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 22,206,507	\$ 21,193,875	\$ 19,573,609	\$ 18,876,323
Common stock	106,938	75,000	103,877	75,000
Premier Purchasing Partners, L.P.	815,506	815,506	700,398	700,398
	<u>\$ 23,128,951</u>	<u>\$ 22,084,381</u>	<u>\$ 20,377,884</u>	<u>\$ 19,651,721</u>

Investment income for the years ending December 31, 2007 and 2006 consisted of the following:

	2007	2006
Interest and dividends	\$ 518,988	\$ 342,417
Net realized gains	1,252,946	2,978,028
Net change in unrealized gains (losses)	408,695	(667,331)
Less investment management fees	(73,612)	-
	<u>\$ 2,107,017</u>	<u>\$ 2,653,114</u>

In 2007, the foundation adopted the policy of netting investment management fees against investment income. The prior year investment fees were recorded as other expenses in the 2006 financial statements. The Foundation's investments had cumulative unrealized gains of \$1,721,849 and \$1,221,149 and cumulative unrealized losses of \$259,208 and \$164,102 at December 31, 2007 and 2006, 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, while unrealized gains and losses from endowed investments are maintained as permanently restricted. A reallocation of assets was done in December of 2006 and the Foundation realized gains of more than \$2.5 million, of these gains \$848,000 were realized on the endowment funds. The realized gains (losses) and associated earnings from permanently restricted net assets were then transferred to their corresponding temporarily restricted earnings accounts, which resulted in a decrease in the endowment fund balance during 2006.

The MetroHealth Foundation, Inc.
Notes to Financial Statements (continued)

Years Ended December 31, 2007 and 2006

6. Notes Payable

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

	2007	2006
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.	\$ 201,103	\$ 262,896

The future scheduled maturities of the notes payable are as follows:

Years ending December, 31:

2008	\$ 64,432
2009	67,000
2010	69,671
	\$ 201,103

The MetroHealth Foundation, Inc.

Notes to Financial Statements (continued)

Years Ended December 31, 2007 and 2006

7. Permanently Restricted Net Assets

Permanently restricted assets at December 31 are as follows:

	<u>2007</u>	<u>2006</u>
Anesthesiology	\$ 524	\$ 514
Community Health	1,035,055	1,019,233
Dentistry	26	26
Dermatology	100,958	99,687
Heart and Vascular	249,578	212,851
Medical Education	366,290	350,275
Medical Specialties	118,024	111,768
Orthopaedics	1,125,610	921,090
Pastoral Care	9,444	9,325
Pathology	1,533	1,514
Pediatrics	449,739	437,378
Physical Medicine and Rehabilitation	1,063,319	1,049,374
Primary Care	35,836	34,260
Psychiatry	1,600	1,577
Radiology	6,190	6,015
Research	831,275	753,235
Surgical Specialties	535,467	461,478
System Wide	150,326	145,557
Women's Health	97,869	91,240
	<u>\$ 6,178,663</u>	<u>\$ 5,706,397</u>

The MetroHealth Foundation, Inc.

Notes to Financial Statements (continued)

Years Ended December 31, 2007 and 2006

8. Temporarily Restricted Net Assets

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

	2007	2006
Care Management and Social Work	\$ 5,740	\$ 7,144
Community Health	3,321,195	3,217,734
Dentistry	12,600	11,933
Dermatology	6,646	15,421
Emergency Medicine	315,886	327,587
Heart and Vascular	956,633	761,124
Medical Operations	365,324	450,851
Medical Specialties	1,207,908	959,295
Nutrition	20,361	17,601
Pathology	22,010	33,574
Pediatrics	540,016	587,709
Physical Medicine and Rehabilitation	827,927	416,147
Primary Care	150,999	123,402
Psychiatry	389,660	325,507
Pulmonary	213,328	199,297
Radiology	335,175	344,565
Research	642,689	534,892
Surgical Specialties	3,152,830	2,485,753
System Wide	1,357,521	1,172,416
Women's Health	219,453	167,473
Unrestricted Promises to Give	88,538	305,594
	<u>\$ 14,152,439</u>	<u>\$ 12,465,019</u>

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, 2007 and 2006, the Foundation received income of \$613,573 and \$632,328, respectively, from its investment in Premier Purchasing Partners, L.P. Additionally, the Foundation has estimated it will receive another \$418,071 of income in 2008 that was earned prior to December 31, 2007. As such, the Foundation has paid \$249,504 of estimated taxes and accrued an additional \$117,550 at December 31, 2007 based on this estimate.

The MetroHealth Foundation, Inc.

Notes to Financial Statements (continued)

Years Ended December 31, 2007 and 2006

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:

	<u>2007</u>	<u>2006</u>
Net assets were released from donor restrictions by incurring expense satisfying the following temporarily restricted purposes:		
Capital Equipment	\$1,566,595	\$ 129,259
Education	918,594	703,229
Fundraising	108,313	83,203
Patient Care	1,552,173	1,277,178
Research	361,845	293,937
Recruitment	39,691	26,107
Other	535,860	235,079
	<u>\$ 5,083,071</u>	<u>\$ 2,747,992</u>

11. Concentrations

The Foundation maintains cash balances at banks, which are insured by the Federal Deposit Insurance Corporation up to \$100,000, and 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 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 22, 2008

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, 2007, and have issued our report thereon dated March 22, 2008. 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

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.



Mary Taylor, CPA
Auditor of State

METROHEALTH FOUNDATION

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
MAY 22, 2008**