AUDITED FINANCIAL STATEMENTS

The MetroHealth Foundation, Inc.

Years Ended December 31, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
The MetroHealth Foundation, Inc.
2500 MetroHealth Drive
Cleveland, Ohio 44109

We have reviewed the *Independent Auditors' Report* of The MetroHealth Foundation, Inc., Cuyahoga County, prepared by Barnes Wendling CPAs, Inc., for the audit period January 1, 2009 through December 31, 2009. 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 21, 2010

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INDEPENDENT AUDITORS' REPORT

March 31, 2010

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, 2009 and 2008, 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, 2009 and 2008, 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 31, 2010, 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.

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The MetroHealth Foundation, Inc.

Statements of Financial Position

December 31, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	**$ 1,429,833**	$ 1,529,584
Promises to give, net *(Note 2)*	**1,697,949**	2,378,966
Investments, at fair value	**22,149,443**	18,221,896
Due from The MetroHealth System	**-**	402
Other assets	**44,071**	27,400
Total assets	**$ 25,321,296**	$ 22,158,248
Liabilities		
Accounts payable and other	**$ 23,528**	$ 73,155
Annuity payment obligations	**209,456**	151,639
Grants payable to The MetroHealth System	**1,003,145**	1,332,440
Note payable *(Note 6)*	**69,671**	136,671
Accrued interest payable	**1,058**	2,076
Income tax payable	**192,215**	267,650
Total liabilities	**1,499,073**	1,963,631
Net Assets:		
Unrestricted:		
Operating	**1,770,612**	-
Board designated	**1,091,866**	919,690
Total unrestricted net assets	**2,862,478**	919,690
Temporarily restricted:		
Specific purpose funds *(Note 8)*	**12,705,055**	11,325,935
Permanently restricted:		
Endowment *(Note 7)*	**8,254,690**	7,948,992
Total net assets	**23,822,223**	20,194,617
Total liabilities and net assets	**$ 25,321,296**	$ 22,158,248

See notes to the financial statements.

The MetroHealth Foundation, Inc.

Statement of Activities

Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Gifts and grants	$ 1,417,030	$ 3,037,162	$ 316,416	$ 4,770,608
Program income	-	15,216	-	15,216
Investment income *(Note 4)*	1,471,609	1,982,349	1,155,562	4,609,520
Investment income transfer *(Note 4)*	-	170,954	(170,954)	-
Net assets released from restrictions	3,620,344	(3,620,344)	-	-
Total revenue	6,508,983	1,585,337	1,301,024	9,395,344
Expenses				
Grants and distributions	4,041,477	-	-	4,041,477
Fundraising expenses	851,858	-	-	851,858
Administrative expenses:				
Purchased services	308,765	-	-	308,765
Provision for bad debts	7,467	-	-	7,467
Unrelated business income tax *(Note 9)*	317,571	-	-	317,571
Other	240,600	-	-	240,600
Total administrative expenses	874,403	-	-	874,403
Total expenses	5,767,738	-	-	5,767,738
Increase in net assets	741,245	1,585,337	1,301,024	3,627,606
Net assets at beginning of year	919,690	11,325,935	7,948,992	20,194,617
Net asset transfer (*Note 4*)	1,201,543	(206,217)	(995,326)	-
Net assets at end of year	$ 2,862,478	$ 12,705,055	$ 8,254,690	$ 23,822,223

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
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.

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Operating activities		
Increase (decrease) in net assets	**$ 3,627,606**	$ (4,912,750)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents used in operating activities:		
Permanently restricted contributions	**(316,416)**	(2,038,923)
Net (gain) loss on investments	**(4,123,225)**	5,694,435
(Increase) decrease in assets:		
Promises to give, net	**681,017**	(350,025)
Due from The MetroHealth System	**402**	69,932
Other assets	**(16,671)**	21,377
Increase (decrease) in liabilities:		
Accounts payable and other	**(49,627)**	(37,624)
Annuity payment obligations	**57,817**	7,577
Grants payable to MetroHealth System	**(329,295)**	261,862
Accrued interest payable	**(1,018)**	(979)
Income tax payable	**(75,435)**	150,100
Net cash and cash equivalents used in operating activities	**(544,845)**	(1,135,018)
Investing activities		
Proceeds from sale of investments	**749,587**	4,224,741
Purchase of investments	**(553,909)**	(5,012,121)
Net cash and cash equivalents provided by (used in) investing activities	**195,678**	(787,380)
Financing activities		
Repayment of note payable	**(67,000)**	(64,432)
Fund transfers	**-**	299,700
Permanently restricted contributions	**316,416**	2,038,923
Net cash and cash equivalents provided by financing activities	**249,416**	2,274,191
(Decrease) increase in cash and cash equivalents	**(99,751)**	351,793
Cash and cash equivalents at beginning of year	**1,529,584**	1,177,791
Cash and cash equivalents at end of year	**$ 1,429,833**	$ 1,529,584
Cash paid for interest	**$ 4,578**	$ 7,147
Cash paid for income taxes	**$ 393,006**	$ 202,350

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:

Basis of Presentation — Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958: *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization 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:

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, 2009 and 2008, the Foundation's Board of Directors had designated $1,091,866 and $919,690, 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.

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 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.

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

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 disclosures. 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 ASC 958 (formerly Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations)*. ASC 958 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.

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 lifetime. 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 ASC 958 (formerly 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.

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

Donated Services — Donated services are recognized as contributions in accordance with ASC 958 (formerly 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.

Fair Value of Financial Instruments – The Foundation adopted applicable sections of the Financial Accounting Standards Board Accounting Standards Codification (ASC) 820: *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price 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. ASC 820 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 is not necessarily an indication of the risk associated with maintaining those investments.

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

Fair Value of Financial Instruments (Continued)
The units of account valued by the Foundation are its interest in 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, 2009 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	$ 19,859,966	$ 19,834,886	$ -	$ 25,080
Common Stock-Private	111,917	-	-	111,917
Limited Partnership Interests	2,177,560	-	-	2,177,560
	$ 22,149,443	$ 19,834,886	$ -	$ 2,314,557

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

Balance as of January 1, 2009	$ 2,110,712
Net purchase of Investments	25,080
Net purchases of Common Stock-Private	1,000
Net change in unrealized appreciation	151,527
Net change in realized gains	26,238
Balance as of December 31, 2009	$ 2,314,557
Net unrealized depreciation from investments in limited partnerships and common stock – private, still held as of December 31, 2009	$ (114,377)

Subsequent Events — The Foundation has evaluated subsequent events through March 31, 2009 the date which these financial statements were available to be issued.

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

Reclassifications — Certain amounts from the 2008 financial statements have been reclassified to conform with the 2009 presentation.

2. Promises to Give

Pledge receivables are recorded at net present value using a variable discount rate, ranging from 2.4% to 3.4% for 2009 and 3.25% to 4.25% for 2008, less an allowance for uncollectible accounts, and are due in future years at December 31, as follows:

	2009	2008
Less than one year	**$ 910,471**	$ 1,262,918
One to five years	**911,668**	1,307,552
	1,822,139	2,570,470
Allowance for uncollectible pledges and present value discount	**(124,190)**	(191,504)
	$ 1,697,949	$ 2,378,966

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 $5,414,816 at December 31, 2009 is not included in these financial statements in accordance with ASC 958.

The Foundation received a conditional pledge of $500,000 commencing in 2006 and ending in July 2010. The outstanding balance of $172,962 at December 31, 2009 is not included in these financial statements in accordance with ASC 958.

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 received the final $100,000 payment in 2009.

The Foundation received a conditional pledge of $500,000 commencing in 2007 and ending in June 2011. The outstanding balance of $200,000 at December 31, 2009 is not included in these financial statements in accordance with ASC 958.

4. Investments

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

	2009		2008	
	Fair Value	**Cost**	Fair Value	Cost
Cash and Cash Equivalents	**$ 1,573,679**	**$ 1,573,679**	$ 1,456,166	$ 1,456,166
Mutual funds	**18,286,287**	**20,740,743**	14,655,018	20,185,429
Common stock	**111,917**	**76,000**	103,162	75,000
Hatteras Limited Partnership Interest	**1,285,623**	**1,400,000**	1,134,096	1,400,000
Premier Purchasing Partners, L.P.	**891,937**	**891,937**	873,454	873,454
	$ 22,149,443	**$ 24,682,359**	$ 18,221,896	$ 23,990,049

Investment income for the years ending December 31, 2009 and 2008 consisted of the following:

	2009	2008
Interest and dividends	**$ 546,295**	$ 563,901
Net realized gains	**919,581**	1,038,647
Net change in unrealized gains (losses)	**3,203,644**	(6,733,083)
Less investment management fees	**(60,000)**	(59,738)
	$ 4,609,520	$ (5,190,273)

The Foundation's investments had cumulative unrealized gains of $625,183 and $524,176 and cumulative unrealized losses of $3,158,099 and $6,292,329 at December 31, 2009 and 2008 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. In 2009, the Foundation transferred $995,326 from permanently restricted net assets back to unrestricted net assets because the level required by donor stipulations had been partially recovered. 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. In 2009, the Foundation transferred $206,217 back to unrestricted funds due to favorable market conditions.

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 temporarily restricted net assets to the Foundation in the amount of $299,700. In 2009, the System changed its procedures for recording transfers to the Foundation under GASB 34, Paragraph 61, Intra-entity activity, which states that resource flows between entities be reported as revenues and expenses. Based on that change the Foundation recorded $31,459 of revenue from the System in 2009. Grants and distributions payable of $1,003,145 and $1,332,440 were due to the System for grants approved by the Foundation, but not yet paid, at December 31, 2009 and 2008, respectively. At December 31, 2009 and 2008, there were no outstanding grant requests. The Foundation has recorded an additional receivable for equity transfers and other items from the System of $402 for the year ended December 31, 2008. The MetroHealth System identified In-Kind Support to the Foundation for 2009 and 2008 representing purchased services, rent and other expenses which are included in these financial statements in the amount of $876,300 and $895,500, respectively.

6. Note Payable

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

	2009	2008
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.	**$ 69,671**	$ 136,671

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

2010	**$ 69,671**

7. Permanently Restricted Net Assets

Permanently restricted assets at December 31 are as follows:

	2009	2008
Anesthesiology	**$ 523**	$ 523
Community Health	**986,071**	986,071
Dentistry	**25**	25
Dermatology	**96,397**	96,397
Heart and Vascular	**339,449**	249,427
Medical Education	**381,156**	368,070
Medical Specialties	**127,022**	121,349
Nursing	**5,700**	5,637
Orthopedics	**2,206,815**	2,167,308
Pastoral Care	**9,017**	9,017
Pathology	**1,464**	1,464
Pediatrics	**438,395**	435,447
Physical Medicine and Rehabilitation	**1,015,518**	1,015,397
Primary Care	**44,587**	35,099
Psychiatry	**1,632**	1,632
Radiology	**6,230**	6,230
Research	**1,450,914**	1,462,053
Surgical Specialties	**753,637**	718,855
System Wide	**273,280**	165,764
Women's Health	**116,858**	103,227
	$ 8,254,690	$ 7,948,992

Corpus Restoration

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donor r equires the Foundation to retain as a fund of perpetual duration. In accordance with ASC, variances of this nature are reported as unrestricted net assets were $881,579 and $1,876,905 at December 31, 2009 and 2008, respectively. These variances resulted from unfavorable market fluctuations that occurred in 2008.

7. Permanently Restricted Net Assets (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets 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 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 intended to produce results exceeding the price and yield results of the S&P 500 index, for the equity portion of the portfolio, 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 Foundation 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 Foundation'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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	($ 881,579)	$1,865,881	$8,254,690	$9,238,992
Total	($ 881,579)	$1,865,881	$8,254,690	$9,238,992

7. Permanently Restricted Net Assets (continued)

Changes in Endowment Net Assets for the year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	($1,876,905)	$1,673,126	$7,948,992	$7,745,213
Investment return:				
Investment income	-0-	77,648	-0-	77,648
Investment income transfer	-0-	170,954	(170,954)	-0-
Net unrealized appreciation (depreciation)	-0-	101,537	1,155,562	1,257,099
Total investment return	-0-	350,139	984,608	1,334,747
Net assets released from restriction	-0-	(157,384)	-0-	(157,384)
Contributions	-0-	-0-	316,416	316,416
Net asset transfer (Note 4)	995,326	-0-	(995,326)	-0-
Endowment net assets, End of year	($ 881,579)	$ 1,865,881	$8,254,690	$9,238,992

8. Temporarily Restricted Net Assets

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

	2009	2008
Anesthesiology	$ 171,385	$ 142,787
Care Management and Social Work	22,178	13,312
Community Health	663,987	2,253,403
Dentistry	22,376	12,718
Dermatology	55,184	6,995
Emergency Medicine	262,023	234,077
Heart and Vascular	939,877	759,005
Medical Operations	335,809	304,511
Medical Specialties	1,113,976	965,486
Nutrition	17,338	14,547
Orthopedics	1,102,753	987,938
Pathology	24,472	16,475
Pediatrics	804,927	544,309
Physical Medicine and Rehabilitation	728,365	617,543
Primary Care	1,635,680	108,006
Psychiatry	321,800	290,016
Pulmonary	162,067	149,252
Radiology	241,165	221,853
Research	836,143	612,753
Surgical Specialties	1,576,344	1,482,468
System Wide	1,414,885	1,418,051
Women's Health	75,933	107,885
Unrestricted Promises to Give	176,388	62,545
	$ 12,705,055	$11,325,935

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, 2009 and 2008, the Foundation received income of $849,865 and $796,525, respectively, from its investment in Premier Purchasing Partners, L.P. Additionally, the Foundation has estimated it will receive another $466,118 of income in 2010 that was earned prior to December 31, 2009. As such, the Foundation has paid $299,977 of estimated taxes and accrued an additional $192,215 at December 31, 2009 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:

	2009	2008
Net assets were released from donor restrictions by incurring expense satisfying the following temporarily restricted purposes:		
Capital Equipment	**$ 346,715**	$ 1,096,386
Education	**812,447**	936,595
Fundraising	**19,654**	16,600
Patient Programs	**2,027,204**	2,106,055
Research	**225,295**	375,461
Recruitment	**16,428**	27,116
Other	**172,601**	20,809
	$ 3,620,344	$ 4,579,022

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, 2013) the Foundation may exceed this amount from time to time.

12. Other Accomplishments

Donors occasionally make their gifts directly to The MetroHealth System. The Kresge Foundation made a conditional grant to The MetroHealth System of $1,000,000 in 2007 for the Senior Health & Wellness Center (SHWC) capital campaign. The conditions of the grant were met in 2009 and the grant was received by the System.

MetroHealth has completed the collaborative SHWC capital campaign. The MetroHealth Foundation continues to receive pledge payments and distributes fundraising revenue as received on behalf of The MetroHealth System and its collaborative partners, Concordia Care and the Visiting Nurse Association of Ohio.

In addition, the Ohio Rehabilitation Services Commission made a grant of $409,600 in 2009 to the System to support the Work Matters Program in MetroHealth's Department of Physical Medicine and Rehabilitation.

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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 31, 2010
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, 2009 and 2008, and have issued our report thereon dated March 31, 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 of the financial statements of The MetroHealth Foundation, Inc., as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered The MetroHealth Foundation's internal control over financial reporting (internal control) 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. Accordingly we do not express an opinion on the effectiveness of The MetroHealth Foundation'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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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Barnes Wendling CPAs INC.

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.

Mary Taylor, CPA
Auditor of State

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

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