

NY44 HEALTH BENEFITS PLAN TRUST

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 and 2011

BAHGAT

&

LAURITO-BAHGAT

Certified Public Accountants, P.C.

BAHGAT
&
LAURITO-BAHGAT
Certified Public Accountants, P.C.
Providing the Tools for Financial Success

Sham Dean Bahgat, CPA
Louann Laurito-Bahgat, CPA

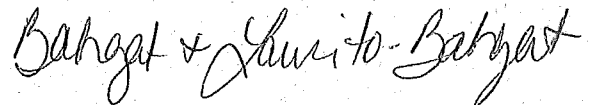
INDEPENDENT AUDITORS' REPORT

To the Trustees of
NY44 Health Benefits Plan Trust

We have audited the accompanying statements of net assets available for benefits of the NY44 Health Benefits Plan Trust as of June 30, 2012 and 2011, and the related statements of changes in net assets available for benefits and cash flows for the years then ended. These financial statements are the responsibility of the Trust'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. 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 net assets available for benefits of the NY44 Health Benefits Plan Trust as of June 30, 2012 and 2011, and the changes in its net assets available for benefits and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Bahgat & Laurito-Bahgat
Certified Public Accountants, P.C.

October 29, 2012

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 14,136,293	\$ 9,189,099
Investments in securities	2,537,625	1,946,692
Accounts receivable	281,423	204,584
Due from Friends of NY44 Health Benefits Plan, Inc.	3,413	-
TOTAL ASSETS	\$ 16,958,754	\$ 11,340,375
<u>LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS</u>		
CURRENT LIABILITIES		
Deferred participants' contributions	\$ 855,073	\$ 544,616
Estimated health claims payable	7,950,629	6,077,451
TOTAL CURRENT LIABILITIES	8,805,702	6,622,067
NET ASSETS		
Unrestricted	7,799,826	4,445,191
Temporarily Restricted	353,226	273,117
TOTAL NET ASSETS	8,153,052	4,718,308
TOTAL LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS	\$ 16,958,754	\$ 11,340,375

NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ADDITIONS TO NET ASSETS						
Participant's contributions	\$ 96,694,516	-	\$ 96,694,516	\$ 75,532,349	-	\$ 75,532,349
Participant's assessments	1,949,787	79,065	2,028,852	-	-	-
Interest income	146,441	1,044	147,485	125,403	1,885	127,288
Trust administrative fee revenues	598,470	-	598,470	401,265	-	401,265
Realized and unrealized gain on investments, net	13,082	-	13,082	5,539	-	5,539
Other	937,884	-	937,884	798,316	-	798,316
Total additions	100,340,180	80,109	100,420,289	76,862,872	1,885	76,864,757
DEDUCTIONS FROM NET ASSETS						
Medical & dental claim payments	93,077,185	-	93,077,185	72,114,239	-	72,114,239
Health and wellness program	413,899	-	413,899	346,812	-	346,812
Stop loss insurance	63,040	-	63,040	648,531	-	648,531
Administrative expenses						
Claims administration	2,614,276	-	2,614,276	2,318,858	-	2,318,858
Salaries and payroll taxes	406,468	-	406,468	320,234	-	320,234
Legal and consulting	205,027	-	205,027	126,743	-	126,743
Insurance	4,923	-	4,923	5,066	-	5,066
Other	200,727	-	200,727	193,367	-	193,367
Total deductions	96,985,545	-	96,985,545	76,073,850	-	76,073,850
CHANGE IN NET ASSETS	3,354,635	80,109	3,434,744	789,022	1,885	790,907
NET ASSETS, at beginning of year	4,445,191	273,117	4,718,308	3,656,169	271,232	3,927,401
NET ASSETS, at end of year	\$ 7,799,826	\$ 353,226	\$ 8,153,052	\$ 4,445,191	\$ 273,117	\$ 4,718,308

See accompanying notes and independent auditors' report.

**NY44 HEALTH BENEFITS PLAN TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets available for benefits	\$ 3,434,744	\$ 790,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(13,082)	(5,539)
(Increase) decrease in current assets		
Accounts receivable	(76,839)	101,581
Due from Friends of NY44 Health Benefits Plan, Inc.	(3,413)	-
Increase in current liabilities:		
Deferred participant contributions	310,457	455,229
Estimated health claims payable	1,873,178	1,625,303
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,525,045	2,967,481
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,539,391)	(2,161,736)
Proceeds from sale of investments	2,961,540	569,378
NET CASH (USED BY) PROVIDED BY INVESTING ACTIVITIES	(577,851)	(1,592,358)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,947,194	1,375,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,189,099	7,813,976
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 14,136,293	\$ 9,189,099

NY44 HEALTH BENEFITS PLAN TRUST

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Trust

The following description of the NY44 Health Benefits Plan Trust provides only general information. Participants should refer to the Plan Trust Summary Plan Description (SPD) for a more complete description of the Trust's provisions which can be found on the Trust's website.

The Trust was established between the Erie 1 BOCES Board and the Board of Trustees of NY44 Health Benefits Plan Trust on May 15, 2003 and shall continue in existence until December 31, 2010, and thereafter, from year to year, unless sooner terminated, pursuant to Article 12 of the Trust agreement.

The governing Board shall consist of five managerial representatives employed by Erie I BOCES and five labor employees of Erie I BOCES, each of whom shall be a member of, and separately designated by, one of the five labor organizations that has a collective bargaining agreement with Erie I BOCES. Any action taken by the Trustees shall be by unit vote, 1 management and 1 union. In addition, the Plan Administrator is considered an ex-officio member of the governing Board.

The purpose of the Trust, and the general nature of its business shall be established and maintained, pursuant to Article 44 of the Insurance Law of the State of New York, an employee welfare (Trust), self-funding in whole or in part, or insuring in whole or in part, health benefit coverage for eligible employees.

Basis of Accounting

The financial statements of the NY44 Health Benefits Plan Trust are prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Trust considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in equity securities with readily determinable fair values, mutual funds, and all investments in debt securities are measured at market value in the statement of financial position. The fair values for equity securities, mutual funds, and debt securities are based on quoted market prices.

Investment income and gains are reported as increases in additions to net assets in the reporting period in which the income and gains are reported.

Deferred Participants Contributions

Deferred participants' contributions represent contributions received in advance for the next fiscal year.

Estimated Health Claims Payable

The cost of claims payable for health care services provided to Trust members' covered employees and dependents include estimates based on evaluations of providers' claims submitted and provisions for incurred but not yet reported claims. Trust liabilities incurred but not yet reported are estimated by management based on the lag claim reports provided by the third party administrator.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Contributions

The Trust receives contributions from its Trust members on behalf of the covered employees and dependents. This contribution is based on employee classification (single or family) multiplied by a predetermined rate per month, such rate being determined with the Board of Trustees. Temporarily restricted net assets represent monies set aside for health claims payable subsequent to the termination of a charter school.

**NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trust Amendment and/or Termination

The Trust may be amended and/or terminated by a majority vote of the Board of Trustees. If terminated, all previous contributions by the Trust members shall continue to be issued for the purpose of paying benefits under the provisions of this Trust with respect to claims arising before such termination, or shall be used for the purpose of providing similar health benefits to covered participants.

NOTE 2- CUSTODIAL CREDIT AND CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that in the event of bank failure, the Trust's deposits may not be returned to it. The Trust's deposits are exposed to custodial credit risk if they are not covered by depository insurance.

The Trust's aggregate bank balances at June 30, 2012 and 2011 totaled \$14,192,732 and \$8,971,757, respectively, and are categorized as follows:

- A. Insured,
- B. Collateralized with securities held by the pledging financial institution in the Trust's name, or trust department of agency in the Trust's name, or
- C. Uncollateralized.

	2012	2011
A	\$ 4,971,470	\$ 2,973,622
B	9,221,262	5,998,135
C	-	-
Total	\$ 14,192,732	\$ 8,971,757

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 3- INVESTMENTS

The Trust's assets are primarily invested with Morgan Stanley Smith Barney. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions (all Level 1 measurements).

Description	2012 Quoted Prices in Active Market for Identical Assets (Level 1)	2011 Quoted Prices in Active Market for Identical Assets (Level 1)
Mutual Funds		
Equity Income Fund	\$ -	\$ 314,402
Marketable Debt Securities		
Financial	-	1,632,290
Municipal Bonds	1,443,801	-
Government Securities	1,093,824	-
Total	\$ 2,537,625	\$ 1,946,692

NOTE 4 - ACCOUNTS RECEIVABLE

The Trust has the following outstanding accounts receivable at June 30:

	2012	2011
Kadimah April contribution	\$ -	\$ 9
Pharmacy rebates	281,423	204,575
Total	\$ 281,423	\$ 204,584

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – ESTIMATED HEALTH CLAIMS PAYABLE

The cost of claims payable for health care services provided to consortium members' covered employees and dependents include estimates based on evaluations of provider's claims submitted and provisions for incurred but not yet reported claims. Trust liabilities incurred but not yet reported are estimated based upon a claims run off report provided by the processor, which reflects the estimated ultimate cost of settling claims, including the effects of inflations and other social and economic factors. The estimated cost of claims payable is based on the payments made for the fiscal year ended June 30, 2012 as of the August 31, 2012 paid claims lag schedule.

	<u>2012</u>	<u>2011</u>
July claims payable	\$ 6,848,435	\$ 4,119,811
August claims payable	1,102,194	1,957,640
Total	<u>\$ 7,950,629</u>	<u>\$ 6,077,451</u>

NOTE 6 – NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Subsequent period premium assessment:	<u>2012</u>	<u>2011</u>
Charter School for Applied Technology Premium Advance	\$ 273,964	\$ 273,117
Pinnacle Charter School Premium Advance	79,262	-
Total	<u>\$ 353,226</u>	<u>\$ 273,117</u>

NOTE 7 – OTHER REVENUES

Other revenues consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Pharmacy rebates	\$ 937,884	\$ 783,065
Other	-	15,251
Total	<u>\$ 937,884</u>	<u>\$ 798,316</u>

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – OTHER EXPENSES

Other expenses consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Operations expense		
Management fee	\$ 139,090	\$ 140,331
Rent	19,647	19,269
Supplies & Miscellaneous	10,537	5,770
Postage	6,921	4,942
Printing	2,171	3,168
Phone	2,018	1,752
Total Operations expense	<u>180,384</u>	<u>175,232</u>
Travel & conference expense	16,757	11,415
Meeting expense	3,160	3,667
Other	426	3,053
Total	<u>\$ 200,727</u>	<u>\$ 193,367</u>

NOTE 9 – RELATED PARTY

The Trust finances are managed by its employees and employees of Erie 1 BOCES. All amounts detailed in Note 8 under operations expense are amounts paid to Erie 1 BOCES as per the agreements signed with Erie 1 BOCES. Erie 1 BOCES is also a participant in the medical benefits plan.

NOTE 10 – STOP-LOSS INSURANCE COVERAGE

The Trust has purchased stop loss insurance which is reviewed on an annual basis with a specific stop loss deductible of \$750,000 with no individual or maximum limit.

As of June 30, 2012 and 2011, the Trust has recovered \$0 and \$0 in stop loss reimbursements while incurring \$63,040 and \$648,531 in stop loss premiums, respectively.

NOTE 11 - INCOME TAXES

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(9) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than private foundation under Section 509(a)(2). The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax provisions that are material to the financial statements.

NY44 HEALTH BENEFITS PLAN TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – SUBSEQUENT EVENTS

Events and transactions which have occurred from June 30, 2012 through October 29, 2012, the date of these financial statements, have been evaluated by the Trust's management for the purpose of determining whether there were any events that might require disclosure in these financial statements. No such events or transactions were noted.