

Legal Services Fund (CONTINUED)

Union Local 371 AFSCME, AFL-CIO. The Local's constitution which determines the composition of the Committee thereby determines the composition of the Board of Trustees.

Benefits: The Plan provides a program of prepaid legal benefits, which include civil and criminal defense representation.

Funding: Employer contributions are made by the City of New York to the Social Service Employees Union Local 371 Administrative Fund (the "Administrative Fund"), a related organization. The Plan is financed by employer contributions allocated to it by trustees of the Administrative Fund on an "as needed" basis.

Plan Termination: In the event of termination of the fund, the trust agreement requires that the trustees pay all obligations of the fund and shall distribute and apply any remaining surplus in such a manner as will, in their opinion, best effectuate the purpose of the plan. In no circumstances shall any funds revert or accrue to the benefit of the City of New York or the union.

Other: The Fund's Board of Trustees has the right under the Plan's Board of Trustees has the right under the Plan to modify benefits provided to participants and to terminate the Plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The records of the Fund are maintained on the accrual basis of accounting.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires Fund management to make estimates and assumptions that affect the reported amount of assets

and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Expenses: The Administrative Fund pays all administrative expenses of the Plan.

NOTE 3 - TAX STATUS

The Trust established under the Plan to hold the Plan's assets was intended to be qualified pursuant to Section 501(c)(9) of the Internal Revenue Code, as amended and, accordingly, the trust's net investment income is exempt from income taxes. The Plan has obtained a favorable tax determination letter from the Internal Revenue Service, and Plan management believes that the Trust, as amended, continues to qualify and to operate in accordance with applicable provisions of the Internal Revenue Code.

NOTE 4 - AGREEMENTS AND TRANSACTIONS WITH PERSONS KNOWN TO BE PARTIES IN INTEREST

The Trustees of the Social Service Employees Union Local 371 Administrative, Educational, Legal Services and Welfare Funds decided that to simplify operations and record keeping, all administrative expenses of the above-mentioned benefit plans would be paid by the Administrative Fund.

As stated in Note 1 the Administrative Fund is the recipient of employer contributions made by the employer. These contributions are then allocated on an as needed basis to cover the costs of the Plan's benefit programs.

Annuity Fund

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Local 371 Annuity Fund
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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of net assets available for benefits of the Social Service Employees Union Local 371 Annuity Fund as of March 31, 2007 and 2006 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 net assets available for benefits of the Plan as of March 31, 2007 and 2006 and the changes in net assets for the periods then ended in conformity with accounting principles generally accepted in the United State of America.

August 28, 2007

GOULD, KOBRICK & SCHLAPP, P.C.

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AT MARCH 31, 2007 AND 2006

	2007	2006
ASSETS		
Investments, at fair value	39,507,683	32,119,069
Receivables:		
Employer contributions	1,195,015	1,194,504
Accrued investment income	177,272	80,657
Due from related organizations	175	175
Cash, operating accounts	70,807	0
Other Assets:		
Start-up costs - net of amortization of \$10,043 (2007) and \$9,379 (2006)	12,505	14,069
Prepaid expenses	0	440
Total Assets	40,963,457	33,408,914
LIABILITIES		
Accrued administrative expenses	92,181	82,095
Due to brokers for securities purchased	0	293,196
Due to related organizations	0	15,676
Cash, operating accounts overdraft	0	4,523
Total Liabilities	92,181	395,490
NET ASSETS AVAILABLE FOR BENEFITS	40,871,276	33,013,424

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

	2007	2006
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income:		
Interest and dividends	605,273	390,091
Net appreciation in fair value of investments	1,956,823	1,002,639
	2,562,096	1,392,730
Less - Investment fees	149,397	133,363
Net Investment Income	2,412,699	1,259,367
Employer contribution	6,954,640	7,159,950
Other Contributions	38,057	27,746
Total Additions	9,405,396	8,447,063
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Benefits paid	1,483,586	1,073,818
Administrative expenses	63,958	57,354
Total Deductions	1,547,544	1,131,172
Net increase in net assets available for benefits	7,857,852	7,315,891
Net assets available for benefits:		
Beginning	33,013,424	25,697,533
Ending	\$40,871,276	\$33,013,424

NOTES TO FINANCIAL STATEMENTS AT MARCH 31, 2007

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Social Service Employees Union Local 371 Annuity Fund (the "Fund") provides only general information. Participants should refer to the benefit booklet for a more complete description of the Fund's provisions.

General: The Plan is a collectively bargained non-contributory defined contribution plan that provides annuity benefits to eligible participants. The Plan was established in 1999 pursuant to a collective bargaining agreement between the City of New York (the "Employer") and Social Service Employees Union Local 371 (the "Union"). It is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Plan Administration: The administration of the Plan is the responsibility of a board of trustees comprised of union officers and appointees. The Plan's investments are managed by independent investment managers who have full discretion and authority to affect transactions for the benefit of the Plan within the guidelines set by the trustees. A separate Plan custodian holds the investments of the Plan.

Contributions: Contributions are made by the City of New York and its agencies for covered participants. Rates are determined by the collective bargaining agreement in effect at the time. The current collective bargaining agreement, in effect since July 1,

2002 requires contributions for all eligible participants at pro-rata daily rate not to exceed \$478 per annum.

The Plan accepts rollover contributions from other New York City Governmental Plans for employees transferring into covered titles.

Participant Accounts: Each participant's account is credited with the employer contributions made on their behalf plus an allocation for Plan earnings (losses). Less distributions and a deduction for Plan expenses.

Vesting: Once an individual account has been established, all contributions and earnings thereon are immediately vested in each participant's account after the end of each quarter.

Payment of Benefits: Participant are entitled to their entire account balance. Account distributions are made upon termination of employment, retirement, death or permanent disability.

Plan Termination: In the event of termination of the Plan, the Trust Agreement requires that the Trustees shall distribute to each employee that value of his account subject to any administrative adjustment at the time of termination in such a manner that will best effectuate the Plan's intent.

Other: The Fund's Board of Trustees has the right under the Plan to modify benefits provided to participants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements were prepared on the accrual basis of accounting.

Valuation of Investments: Investments are stated at fair value as measured by quoted prices in an active market except for the Plan's investments in non-publicly traded common trust funds that are stated at estimated fair values determined by the fund trustee from reputable pricing sources applied to the underlying quoted and nonquoted securities held. In general, short-term investments, which are readily convertible into cash, are carried at cost, which approximates fair values.

Payments of Benefits: Benefit payments to participants are recorded upon distribution.

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

Amortization of Start-up Costs: All expenses associated with the preparation of the Funds trust documents and obtaining its tax exemption have been capitalized and amortized over a 15-year period.

NOTE 3 - TAX STATUS

The Plan is a qualified trust under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from federal income taxes under provision of IRC Section 501(a). The Internal Revenue Service has determined and informed the Plan by a letter dated November 9, 2000, that the Plan are related trust are designed in accordance with applicable sections of the IRC.

NOTE 4 - RISKS AND UNCERTAINTIES

Due to various risks (e.g., interest rate, market and credit risks) associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the values of investments will occur in the near term that could materially affect the amounts reported in the statement of net assets available for benefits.

NOTE 5 - INVESTMENTS

The following summary reflects investments held at March 31, 2007 and 2006:

	2007	2006
Cash and cash equivalents	22,215	987,341
Investments at fair value as determined by quoted market prices:		
U.S. Government Bonds	13,786,126	10,336,507
Domestic equities	10,663,839	4,747,053
Corporate bonds	20,796	41,492
Other investments:		
Common trust funds	15,014,707	11,694,176
Fixed income	0	4,312,500
Equities	0	0
Totals	\$39,507,683	32,119,069

The following investments, at fair value, represent five percent (5%) or more of the Fund's Net Assets.

Shares/Par Value	Investment	Due Date	Interest Rate	Fair Value
\$33,595	Longview Core Bond Index Fund	N/A	N/A	\$15,014,706
\$2,770,000	US Treasury Note	04/15/10	4.00%	\$2,727,591
\$2,475,000	US Treasury Note	04/15/10	4.25%	\$2,453,047

During the years ended March 31, 2007 and 2006, the Fund's investments (including investments bought, sold and held during the year) appreciated (depreciated) in fair value as follows:

	2007	2006
Investments at fair value as determined by quoted market prices:		
Domestic equities	1,298,389	508,449
U.S. Government bonds	170,843	(132,147)
Corporate bonds	65,664	(1,574)
Other investments:		
Common trust funds	\$421,927	627,911
	\$1,956,823	\$1,002,639

NOTE 6 - AGREEMENTS AND TRANSACTIONS WITH PERSONS KNOWN TO BE PARTIES IN INTEREST

The Social Service Employees Union Local 371 AFSCME, AFL-CIO (the "Union") is a party to the collective bargaining agreement that provides for pension and health and welfare benefit for its eligible members, as covered under the Plans.

Pursuant to agreements adopted by the trustees of the Plan and the Social Service Employees Union Local 371 Administrative Fund, the Administrative Fund will reimburse Plan expenses incurred after October 1, 2000 and through May 31, 2006. Effective June 1, 2005 this agreement was terminated.

NOTE 7 - ADMINISTRATIVE EXPENSES

	2007	2006
Professional fees:		
Legal	14,500	9,000
Auditing	9,000	8,000
Consultant	4,872	5,361
Stationary, printing and postage	23,831	21,980
Insurance	10,192	11,335
Other general and administrative	1,563	1,678
	\$ 63,958	\$ 57,354

NOTE 8 - UNALLOCATED NET ASSETS

Due to timing differences in the receipt and posting of contributions there are differences between the total of participants' account balances and the net assets of the Plan. The differences are as follows:

	2007	2006
Net assets available for benefits	40,871,276	33,013,424
Participant account balances	39,549,436	31,791,138
Unallocated net assets	\$1,321,840	\$1,222,286