

Benefits Funds Financial Reports

Welfare Fund Audit

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Social Service Employees Union
Local 371 Welfare Fund
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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of benefit obligations and net assets available for benefits of the Social Service Employees Union Local 371 Welfare Fund as of June 30, 2007 and June 30, 2006 and the related statements of changes in benefit obligations and 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 financial status of the Social Service Employees Union Local 371 Welfare Fund as of June 30, 2007 and June 30, 2006 and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United State of America.

December 28, 2007

GOULD, KOBRICK & SCHLAPP, P.C.

STATEMENTS OF BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR BENEFITS AT JUNE 30, 2007 AND 2006

	2007	2006
BENEFIT OBLIGATIONS		
Health benefits currently payable & claims incurred but not reported	\$1,975,009	\$2,303,537
Insurance premiums payable	116,561	152,508
Total Benefit Obligations	2,091,570	2,456,045
ASSETS		
Investments, at fair value	142,841	1,069,990
Receivables:		
Social Service Employees Union Local 371 Administrative Fund	1,820,872	2,239,146
Other	650,926	2,644
Accrued investment income	1,332	2,305
Total Receivables	2,473,130	2,244,095
Other Assets:		
Fixed assets, net of accumulated depreciation	137,782	43,639
Prepaid expenses	0	54,767
Total Other Assets	137,782	98,406
Total Assets	2,753,753	3,412,491
LIABILITIES		
Cash, operating accounts overdraft	570,937	789,455
Due to Social Service Employees Union Local 371	80,082	107,586
Accrued administrative expenses	11,164	59,405
Total Liabilities	662,183	956,446
NET ASSETS AVAILABLE FOR BENEFITS	2,091,570	2,456,045
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	\$ 0	\$ 0

STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS AND IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
NET INCREASE (DECREASE) IN BENEFIT OBLIGATIONS		
Health benefits currently payable & claims incurred but not reported	\$ (328,528)	(33,960)
Insurance premiums payable	(35,947)	15,267
Net (Decrease) in Benefit Obligations	(364,475)	(18,693)
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Employer contribution allocation	19,210,654	18,526,878
Other Contributions	21,452	26,274
Total Contributions	19,232,106	18,553,152
Investment income:		
Interest, dividends and other	43,432	41,962
Net appreciation (depreciation) in fair value of investments	(1,394)	97,849
	42,038	139,811
Less - Investment fees	8	7
Net Investment Income	42,030	139,804
Other income	0	467,016
Total Additions	19,274,136	19,159,972
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Benefits paid	16,773,731	16,155,312
Dental facility	2,692,293	2,844,601
Health and safety coordinator	104,082	131,586
Total Benefits Paid	19,570,106	19,131,499
Third party benefit provider fees	68,505	47,166
Total Deductions	19,638,611	19,178,665
Net (decrease) in net assets available for benefits	(364,475)	(18,693)
Net increase (decrease) in net assets available for benefits over benefit obligations	0	0
Excess of net assets available for benefits over benefit obligations:		
Beginning	0	0
Ending	\$ 0	\$ 0

NOTES TO FINANCIAL STATEMENTS AT JUNE 30, 2006

NOTE 1 - DESCRIPTION OF PLAN

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

General: The Plan was established in 1965 for the purpose of providing health care benefits to eligible employees covered by the collective bargaining agreement between the Social Service Employees Union Local 371 AFSCME, AFL-CIO (the "Union") and the City of New York (the "Employer"). 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 seven trustees, six of whom are elected by the general membership of the Union and the seventh being the President of the Union. The Plan's investments are managed by an independent investment manager who has full discretion and authority to effect transactions for the benefit of the Plan. The Plan's investments are held separately by a custodian.

Benefits: The Fund provides health benefits (prescription drugs, dental, optical, prosthetic appliance, diagnostic examinations, podiatry, hearing aid and abortion) and disability, pension and health insurance counseling, burial and life insurance benefits to full time participants of the Plan and to their beneficiaries and covered dependents. Part time participants are provided dental, drug, optical, podiatry and life insurance benefits.

During the year the following experience rated insured benefit was in effect:

Insurer	Benefit
Prudential Insurance Company of America	Life Insurance

During the year the following administrative benefit contract was in effect:

Third Party Administrators	Benefit
MedcoHealth and Express Scripts	Prescription Drug

The Plan operates a medical facility that provides dental care and podiatry benefits. As an alternative to the regular schedule of benefits, participants can elect these services with no out-of-pocket costs.

Funding: Employer contributions are made by the Employer to the Social Service Employees Union Local 371 Administrative Fund (the "Administrative Fund"), a related organization. The Plan receives, on an as needed basis, an allocation of these contributions (See Note 6).

Plan Termination: In the event of termination of the Plan, the Trust Agreement requires that the trustees pay all obligations of the Plan 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 Union or the Employer.

Other: Although they have not expressed any intention to do so the Plan's Board of Trustees has the right under the Plan to modify the Trust and to terminate the Plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Administrative Expenses: The Administrative Fund, pays all administrative expenses of the Plan, other than third party administrative fees.

Valuation of Investments: Investments are stated at fair value. If available, quoted market prices are used to value investments. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices. Securities that have no quoted market price are valued at their estimated fair value. In general, short-term investments, which are readily convertible into cash, are carried at cost, which approximates fair values.

Fixed Assets and Depreciation: Furniture, equipment and improvements are stated at cost less depreciation accumulated since acquisition and does not purport to represent replacement or realizably value. All assets are depreciated over estimated useful lives using the straight-line method. Expenditures for normal repairs of equipment are charged to current operations. All other expenditures for fixed assets are capitalized.

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 changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Other Plan Benefits: Plan obligations at June 30 for health claims incurred by active participants but not reported at that date and for future disability payments at June 30 are estimated by the Plan's actuary in accordance with accepted actuarial principles.

NOTE 3 - TAX STATUS

The Trust established under the Plan to hold the Plan's assets is 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 - CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Plan to concentration of credit risk include cash and short-term investments. The Plan maintains accounts at high quality financial institutions. While the Plan attempts to limit any financial exposure, its cash deposit balances may, at times, exceed federally insured limits. Short-term investments are not covered by the Federal Deposit Insurance Corporation.

NOTE 5 - 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.

The balance of claims incurred but not reported is reported based on certain assumptions, which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 6 - AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

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 contribution. These contributions are then allocated on an as needed basis to cover the costs of the Plan's benefit programs and related expenses.

The Plan reimburses the Union for 50% of the Union's cost of the Health and Safety Coordinator's payroll.

NOTE 7 - INVESTMENTS

The following summary reflects investments held at June 30, 2007 and 2006:

	2007	2006
Cash and cash equivalents	141,501	503,402
Investments at fair value as determined by quoted market prices		
U.S. Government	1,340	1,631
Domestic equities	\$0	\$564,957
Totals	\$142,841	\$1,069,990

The following investments, at fair value, represent five percent (5%) or more of Fund's net assets:

Shares/Par Value	Investment	Fair Value
\$125,234	Amalgamated Bank of NY money market	\$125,234

During the years ended June 30, 2007 and 2006, the Plan'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	\$(1,382)	\$97,895
U.S. Government	(12)	(46)
Totals	\$(1,394)	\$97,849

NOTE 8 - FIXED ASSETS

Fixed assets at June 30, 2007 and 2006 by classification are summarized as follows:

	2007	2006
Leasehold improvements	472,465	394,635
Furniture, fixtures and equipment	165,172	136,241
	637,637	530,876
Less - Accumulated depreciation	499,855	487,237
Net Fixed Assets	\$ 137,782	\$ 43,639