

Welfare Fund Audit (CONTINUED)

NOTE 9 - OTHER INCOME

During the year ended June 30, 2006 it was discovered that the Plan owned 7,271 shares of Prudential Financial, Inc. common stock. These shares were owned by the Plan as the result of Prudential's decision to demutualize and convert from a mutual life insurance company to a stock life insurance company. The Plan, as owner of an eligible policy in force was entitled to receive compensations in the form of stock. These shares were valued at \$467,016 at June 30, 2005. The June 30, 2006 financial statements have recognized the June 30, 2005 value of \$467,016 as other income.

NOTE 10 - BENEFIT PAID

	2007	2006
Insured:		
Life	\$ 546,874	\$ 592,792
Self-insured:		
Prescription drugs, net of refunds	7,826,075	7,025,353
Dental	6,372,772	6,512,667

Disability	1,642,762	1,576,164
Optical	278,644	323,911
Prosthetic appliance	46,804	57,131
Podiatry	21,400	24,099
Diagnostic examinations	7,200	7,200
Hearing aids	7,000	9,275
Abortion	600	1,100
Other benefits:		
Burial	18,000	23,500
Pension counseling	5,600	2,120
Total Benefits Paid	\$16,773,731	\$16,155,312

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Social Service Employees Union
Local 371 Administrative 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 Administrative Fund as of June 30, 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 our audits 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 Social Service Employees Union Local 371 Administrative Fund as of June 30, 2007 and 2006 and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

January 4, 2008

GOULD, KOBRICK & SCHLAPP, P.C.

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

ASSETS	2007	2006
Investments, at fair value	\$5,657,975	\$1,117,794
Receivables:		
Employer contributions	5,285,386	5,359,036
Accrued investment income	46,844	6,021
Due from related organizations:		
Social Service Employees Union Local 371 AFSCME, AFL-CIO	18,816	112,250
Social Service Employees Union Local 371		
Annuity Fund	1,566	17,242
Staff Pension Plan	0	14,262
Total Receivables	5,352,612	5,508,811
Other assets:		
Fixed assets, net of accumulated depreciation	75,323	60,837
Prepaid expenses	55,190	56,885
Cash, operating accounts	11,620	11,671
Total Other Assets	142,133	129,393
Total Assets	11,152,720	6,755,998
LIABILITIES		
Due to related organizations:		
Social Service Employees Union Local 371:		
Welfare Fund	1,820,872	2,239,146
Legal Services Fund	90,029	89,381
Educational Fund	64,806	63,438
Staff Pension Plan	4,248	0
Payroll	162,020	153,500
Accrued administrative expenses	89,726	74,978
Total Liabilities	2,231,701	2,620,443
NET ASSETS AVAILABLE FOR BENEFITS	\$8,921,019	\$4,135,555

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

	2007	2006
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Employer contributions	\$30,248,445	\$27,105,757
Other contributions	81,696	100,201
Total Contributions	30,330,141	27,205,958
Investment income:		
Interest and dividends	131,608	39,467
Net (Depreciation) in fair value of investments	(6,708)	(15,460)
	124,900	24,007
Less - Investment fees	12,806	8,343
Net Investment Income	112,094	15,664
Total Additions	30,442,235	27,221,622
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Employer contributions allocated to Social Service Employees Union Local 371:		
Welfare Fund	19,210,654	18,526,878
Legal Services Fund	3,679,648	3,611,202
Educational Fund	346,368	391,531
Total Contributions Allocated	23,236,670	22,529,611
Administrative expenses	2,420,101	2,352,462
Total Deductions	25,656,771	24,882,073
Net increase in net assets available for benefits	4,785,464	2,339,549
Net assets available for benefits:		
Beginning	4,135,555	1,796,006
Ending	\$8,921,019	\$4,135,555

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Social Service Employees Union Local 371 Administrative Fund (the "Fund") provides only general information.

General: On July 19, 1973, the Social Service Employees Union Local 371 (the "Union") entered into an Agreement and Declaration of Trust establishing the Social Service Employees Union Local 371 Administrative Fund (the "Fund"). The purpose of the Fund is to collect employer contributions received pursuant to a collective bargaining agreement between the Fund, the Union and the City of New York (the "Employer") and then to remit these contributions to the Union's Benefit Plans and to pay all administrative expenses of those plans. The Fund 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 five trustees, four of who are appointed by the executive committee of the Union and the fifth being the President of the Union. The investments of the Fund are managed by an investment advisor and maintained by a separate Plan custodian.

Benefits: The Fund does not provide benefits directly to covered members. Employer contributions are allocated to the Social Service Employees Union Local 371 Welfare, Educational and Legal Services Funds on an as needed basis to support their programs of benefits.

Funding: Contributions were made by the City of New York for covered participants based upon an annual per member amount. The contribution rate is determined by the collective bargaining agreement in effect at the time.

The Plan also receives contributions on behalf of the employees of the Union and Fund that are provided coverage under the Union's Benefit Plans.

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 Fund. In no circumstances shall any funds revert or accrue to the benefit of the Union or the City of New York.

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

Value 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 really 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 present replacement or realizable 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.

Administrative Expenses: As stated in Note 1 the Fund pays all administrative expenses of the Social Services Employees Union Local 371 Educational, Legal Services, Welfare, and Staff Pension Funds.

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.

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 - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

The Plan's allocations of employer contribution income and the resulting balances due from these related organizations are based on certain assumptions, which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

NOTE 5 - AGREEMENTS AND TRANSACTIONS WITH RELATED ORGANIZATIONS

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, administrative expenses of the above-mentioned benefit plans would be paid by the Plan.

As stated in Note 1 the Plan is the recipient of employer contributions. These contributions are then allocated on an as need basis to cover the costs of each Plan's benefit plans.

NOTE 6 - PENSION BENEFITS PLANS FOR EMPLOYEES

The Funds' eligible employees are covered by the Social Services Employees Union Local 371 Funds' Staff Pension Plan, which is a defined contribution profit sharing plan.

The contributions to this plan were \$135,842 and \$132,966 for the years ended June 30, 2007 and 2006, respectively.

NOTE 7 - INVESTMENTS

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

	2007	2006
Cash and cash equivalents	\$ 1,424,410	\$ 430,427
Investments at fair value as determined by quoted market prices:		
U.S. Government	\$4,233,565	\$687,367
Totals	\$5,657,975	\$1,117,794

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

Par Value	Investment	Due Date	Interest Rate	Fair Value
\$1,007,501	SEI Cash Plus Treasury Fund	N/A	variable	\$1,007,501
\$ 435,000	US Treasury Note	06/15/09	4.000%	\$ 427,896
\$416,909	Amalgamated Bank of N.Y. savings account	N/A	variable	\$ 416,909

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:		
Common stock	8,206	0
U.S. Government	(14,924)	(15,460)
Net Fixed Assets	\$(6,708)	\$(15,460)

NOTE 8 - FIXED ASSETS

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

	2007	2006
Equipment	\$171,687	\$233,705
Furniture and fixtures	49,810	44,405
Leasehold improvements	52,791	50,181
	\$274,288	\$338,684
Less - accumulated depreciation	198,965	277,847
Net Fixed Assets	\$75,323	\$60,837

NOTE 9 - LEASE COMMITMENTS

The following are the Fund's future minimum lease obligations at June 30, 2007:

Periods ending June 30,	2008	Totals	Facilities	Equipment
	2009	\$337,236	\$319,827	\$17,409
	2010	345,180	332,007	13,173
	2011	339,897	332,007	7,890
	2012	338,032	333,112	4,920
	Thereafter	350,193	345,273	4,920
		317,731	316,501	1,230
Aggregate Future Minimum Rentals		\$2,028,269	\$1,978,727	\$49,542

The Plan and related benefit plans have sublease agreements with the Union (a related party) to rent office facilities.

NOTE 10 - ADMINISTRATIVE EXPENSES

	2007	2006
Payroll	\$1,471,554	\$1,438,827
Professional fees:		
Other consultants	100,000	100,000
Legal	73,781	73,094
Auditing	45,750	45,750
Computer and other consultants	32,460	40,253
Actuarial and consulting	29,333	38,482
Rent and utilities	249,769	244,212
Stationery, printing, postage and supplies	174,523	153,290
Equipment rental, repairs and maintenance	80,465	82,534
Telephone	35,850	32,942
Insurance	30,200	21,197
Depreciation	25,006	26,721
Storage	23,507	20,011
Trustee elections	21,229	0
Interest and bank charges	15,314	20,720
Other general and administrative	5,878	8,503
Trustee meetings and educational expenses	5,482	5,926
	\$2,420,101	\$2,352,462