

VLCT Health Trust, Inc.

Audited Financial Statements  
with Supplementary Information

*Years ended December 31, 2011 and 2010  
with Report of Independent Auditors*

VLCT Health Trust, Inc.

Audited Financial Statements  
with Supplementary Information

Years ended December 31, 2011 and 2010

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## Report of Independent Auditors

The Board of Directors  
VLCT Health Trust, Inc.

We have audited the accompanying statements of net position of VLCT Health Trust, Inc. ("the Trust") as of December 31, 2011 and 2010 and the related statements of revenues, expenses, and changes in net position 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Trust as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 - 9 and the accompanying financial information on pages 23 - 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board which has determined it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the Trust's basic financial statements as a whole. The supplementary information on pages 26 - 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

*Johnson Lambert & Co. LLP*

Burlington, Vermont  
April 26, 2012  
Vermont firm registration: 092-0000267

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# VLCT Health Trust, Inc.

## Management's Discussion and Analysis

Years ended December 31, 2011 and 2010

The management of VLCT Health Trust, Inc. (the "Trust") presents the following overview and analysis of its financial operations for the fiscal year ended December 31, 2011, to be reviewed and considered in conjunction with the more detailed statements, schedules, exhibits and notes in the ensuing pages of this report.

### ***Highlights***

- Assets exceeded liabilities by \$2,146,869 as of December 31, 2011. Total assets decreased \$1,390,157 or 33.2%, which was offset by a decrease in liabilities of \$869,315 or 57.4%. This compares with a net position of \$2,667,711 and \$2,638,793 as of December 31, 2010 and 2009, respectively. Net position was unrestricted for 2011, 2010 and 2009.
- A 13.8% loss in membership as well as migration to lower priced plans resulted in claims costs exceeding premiums with premium revenue reduced by 17.8% from 2010 and claims paid and health insurance administrative expenses down by only 15.9%, a net loss (claims and administrative costs over premiums) of \$644,317. In 2010 at year-end there was a net loss (claims and administrative costs over premiums) of \$149,870.
- Net position decreased by \$520,842 as of December 31, 2011 compared with an increase of \$28,918 in 2010. Net losses for both years from the claims operations were offset by lower administrative costs and positive investment earnings.

### **Overview of the Trust's Financial Statements**

The Trust's fiscal year is January 1 through December 31.

The Trust operations are divided into three cost centers in order to better manage the budgets for administrative costs, although they are combined under operating expenses in the financial statements that follow this discussion and analysis. These cost centers include administration, member relations and wellness (health promotion).

The first cost center is to account for all administrative costs of the Trust operations. This includes overhead paid to Vermont League of Cities and Towns and other general administrative costs relating to the Trust.

The second cost center is member relations. This includes both indirect and direct costs attributable to marketing its products and providing customer service to members of the Trust. These products include health, dental, life, vision, disability and long-term care insurances, as well as administration of Section 125 cafeteria plans and COBRA administration.

## VLCT Health Trust, Inc.

### Management's Discussion and Analysis (Continued)

The third cost center is to account for wellness expenses for the health promotion program. These costs are shared by both the Trust and the Property and Casualty Intermunicipal Fund ("PACIF") on a 50%/50% basis with 100% of the wellness expenses budgeted in the Trust and the 50% due from PACIF appearing as offsetting revenue. The Leader Program expenses are included in the health promotion program but are fully funded with premium administration fees (approximately 1% of billed premiums).

The annual financial report consists of four parts:

- Management's Discussion and Analysis
- Financial Statements and Disclosures
- Required Supplementary Information
- Supplementary Information

Management's discussion and analysis provides a narrative overview of the statements and comments on significant developments during the reporting period. The intention is to present a financial summary of operations for the past fiscal year and discuss the outlook for the ensuing year.

Required statements include:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements

These statements present the Trust's status at December 31, 2011 and 2010 and financial development during 2011 for all cost centers combined.

The statements of net position present the economic position of the Trust, showing the assets owned by the Trust and how those assets are financed: by debt or short-term obligations, and by net position (the Trust's equity). The Trust has no debt.

The statements of revenues, expenses and changes in net position show the operating activities for the year. As required by the Government Accounting Standards Board, investment income is considered a non-operating revenue. The result of operations is the change in net position. This figure added to last fiscal year's net position is the new net position total shown in both the statements of net position and statement of revenues, expenses and changes in net position.

## VLCT Health Trust, Inc.

### Management's Discussion and Analysis (Continued)

The statements of cash flows outlines the cash flow resulting from operations, investment, and financing activities of the Trust. This statement shows how the financial resources were used during the course of the year.

Notes to the financial statements provide explanations of the accounting principles followed and of key items in the financial statements. They include tables with detailed analysis of certain accounts.

The required supplementary schedules include the ten year claims development and a two year comparative reconciliation of claims liabilities. The supplementary schedule presents a Schedule of revenue and expenses comparing budget to actual for the year ending December 31, 2011. The supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

#### ***Results and Analysis***

The following table summarizes the statement of net position:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>Percentage Change</u>	<u>December 31, 2009</u>	<u>Percentage Change</u>
Cash and Investments	\$ 2,291,460	\$ 3,265,620	(29.83)%	\$ 4,247,189	(23.11)%
Other assets	<u>501,437</u>	<u>917,434</u>	(45.34)%	<u>255,355</u>	259.28 %
Total assets	2,792,897	4,183,054	(33.23)%	4,502,544	(7.10)%
Claims Payable	243,784	327,102	(25.47)%	293,015	100.00 %
Other Liabilities	<u>402,244</u>	<u>1,188,241</u>	(66.15)%	<u>1,570,736</u>	(24.35)%
Total liabilities	646,028	1,515,343	(57.37)%	1,863,751	(18.69)%
Net position					
Unrestricted	<u>2,146,869</u>	<u>2,667,711</u>	(19.52)%	<u>2,638,793</u>	1.10 %
Total net position	<u>\$ 2,146,869</u>	<u>\$ 2,667,711</u>	(19.52)%	<u>\$ 2,638,793</u>	1.10 %

As of December 31, 2011, total assets decreased by 33.2% from \$4.2 million to \$2.8 million. As of December 31, 2010, total assets decreased by 7.1% from \$4.5 million to \$4.2 million. As of December 31, 2009, total assets increased 5.5% from \$4.3 million to \$4.5 million. The 2011 decrease was due primarily to a reduction in cash and investments which resulted from a decrease in member premiums that was not offset by a comparable decrease in claims costs. Receivables were also impacted as a result of the reduction in membership.

## VLCT Health Trust, Inc.

### Management's Discussion and Analysis (Continued)

Cash and investments decreased from 2010 to 2011 by 29.8%, or \$974,160. Cash and investments decreased from 2009 to 2010 by 23.1%, or \$981,569, as compared to an increase from 2008 to 2009 by 16.1%, or \$589,060 from 2008 to 2009.

The 66.2% decrease on other assets was primarily due to a decrease in receivables of 62.9% or \$540,284 from 2010 to 2011. This decrease was due to a reduction in the year-end settlement from CIGNA for claims that the exceeded maximum liability. Again, the decrease in membership and plan migration reduced claims such that the year-end liability in 2011 was significantly less than it was in 2010; \$169,996 compared to prior year receivable of \$710,280.

As of December 31, 2011, total liabilities decreased by 57.4% or \$869,315 because no unearned income was recorded at year-end (a reduction of \$883,340 from 2010). The Trust will be using a carrier choice/broker model for operations in 2012, and therefore will no longer be responsible for collecting premiums or administering claims. As of December 31, 2010, total liabilities decreased by 18.7% or \$348,408. At December 31, 2009, total liabilities increased by 8.5% or \$146,746.

The following table summarizes the statement of revenues, expenses and changes in net position. It shows net loss from operations in the first section of the statement, then applies investment income to the result to come up with the total change in net position.

	<u>2011</u>	<u>2010</u>	Percentage Change	<u>2009</u>	Percentage Change
Operating revenues:					
Health insurance premiums	\$21,837,556	\$26,578,236	(17.84)%	\$30,217,190	(12.04)%
Administrative fees	1,056,347	1,095,461	(3.57)%	1,249,308	(12.31)%
Other revenues	<u>218,772</u>	<u>205,929</u>	6.24 %	<u>207,378</u>	(0.70)%
Total operating revenues	23,112,675	27,879,626	(17.10)	31,673,876	(11.98)%
Operating expenses:					
Claims paid	20,098,971	23,662,504	(15.06)%	25,900,524	(8.64)%
Health insurance administration & insurance premiums paid	2,382,902	3,065,602	(22.27)%	4,544,579	(32.54)%
Operating expenses	<u>1,255,325</u>	<u>1,283,248</u>	(2.18)%	<u>1,377,872</u>	(6.87)%
Total operating expenses	<u>23,737,198</u>	<u>28,011,354</u>	(15.26)%	<u>31,822,975</u>	(11.98)%
Operating loss	<u>(624,523)</u>	<u>(131,728)</u>	374.10 %	<u>(149,099)</u>	(11.65)%
Non-operating revenues:					
Investment income (net of fees)	<u>103,681</u>	<u>160,646</u>	(35.46)%	<u>235,139</u>	(31.68)%
Change in net position	(520,842)	28,918	(1,901.10)%	86,040	(66.39)%
Net position, beginning of year	<u>2,667,711</u>	<u>2,638,793</u>	1.10 %	<u>2,552,753</u>	3.37 %
Net position, end of year	<u>\$ 2,146,869</u>	<u>\$ 2,667,711</u>	(19.52)%	<u>\$ 2,638,793</u>	1.10 %

## VLCT Health Trust, Inc.

### Management's Discussion and Analysis (Continued)

Trust operations for 2011 resulted in a net operating loss of \$624,523. The net operating loss in 2010 and 2009 was \$131,728 and \$149,099, respectively. Net investment income of \$103,681 (\$42,494 of which was the change in fair value) partially offset the operating loss and resulted in a change in net position that was a \$520,842 deficit as of December 31, 2011. Investment income for 2010 was \$160,646 (\$106,535 of which was the change in fair value). The change in net position for the prior two years was a surplus for both: \$28,918 and \$86,040, for 2010 and 2009, respectively.

Total operating revenue is \$4,766,951 or 17.1% lower than last year primarily due to the loss in membership and plan migration. This also impacted fees paid to VLCT for health plan administration (included in administration fees), decreasing them by 8.3% over last year. Commission revenues (included in administration fees) increased significantly, which offset some of the decrease in health administrative fees. This was due to an increase in members signing up for dental and other insurance services through the Trust.

Total claims and claims-related expenses are \$4,246,233 or 15.9% lower than last year and also reflects the reduction in membership. As indicated in the highlights, claims costs exceeded premium revenue of \$644,317, compared to a net loss in 2010 of \$149,870. With a 13.8% decrease in members, premiums decreased without necessarily reducing claims by the same ratio.

Other operating expenses decreased \$27,923 or 2.2% from last year, attributable to the decrease in the Leader Program funding. The budget for this program was \$350,000 and \$230,000 for 2010 and 2011 respectively. The program is funded by a portion of the premiums and members can receive up to 4% of their total premiums, with all members proportionally adjusted to a cap of the budgeted total. With declining membership, the amount of funding for this program, which represents roughly 1% of the premiums, has decreased as well.

The following table presents a budget to actual comparison in summarized form for the year ended December 31, 2011. The purpose of this summary is to show the variance between what was budgeted and what was actually received or spent. Both revenues and expenses combine the results from operations with the results from investments.

VLCT Health Trust, Inc.

Management's Discussion and Analysis (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>% Variance</u>
Operating revenues:			
Health insurance premiums	\$ 26,944,000	\$ 21,837,556	(18.95)%
Administrative fees	1,140,712	1,056,347	(7.40)%
Other revenues	<u>227,075</u>	<u>218,772</u>	<u>(3.66)%</u>
Total operating revenues	28,311,787	23,112,675	(18.36)%
Operating expenses:			
Claims paid and administration	26,944,000	22,481,873	(16.56)%
Operating expenses - all cost centers	<u>1,398,092</u>	<u>1,255,325</u>	<u>(10.21)%</u>
Total operating expenses	<u>28,342,092</u>	<u>23,737,198</u>	<u>(16.25)%</u>
Operating deficiency of revenues over expenditures	(30,305)	(624,523)	1,960.79 %
Non-operating - Investment income	<u>-</u>	<u>103,681</u>	<u>100.00</u>
Excess of expenditures over revenues	<u>\$ (30,305)</u>	<u>\$ (520,842)</u>	<u>1,618.67 %</u>

Total revenue is \$5,199,112 or 18.4% below budget, again primarily due to the loss in membership and plan migration not anticipated at the time the budget was developed. It also impacted administration revenue, which includes the Trust's administration fees, ending the year 7.4% below budget. Commission revenues increased by almost 133% due to increased participation in dental and other insurance services, however these make up less than 1% of total revenue so the overall impact of was not significant overall. Commission revenues are included in administrative fees.

Total claims related expenses are \$4,462,127 or 16.6% below budget due to unanticipated member losses and plan migration as discussed previously.

Other operating expenses are \$142,767 or 10.2% below budget. A large portion of the decrease is attributable to VLCT administration fees (\$42,694). FTE reductions occurred subsequent to the development of the 2011 budget, primarily due to the actions taken to begin the transition to a different revenue model as well as in response to the membership losses.

Other decreases in operating expenses include consulting services (\$26,959 or 35.9% below budget), CIGNA grant expenses (\$14,393 or 28.8% under budget), member training (\$11,560 or 16.5% under budget), and the Leader program expenses (\$11,902 or 5.2% under budget).

Consulting services included funds for developing rates for 2012 under the 2011 model. The new carrier choice/broker model will eliminate the need for these services. CIGNA grant, member training, and the Leader program were all under budget due to the decrease in member participation.

## VLCT Health Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### *Outlook / Economic Factors*

As a result of the challenging 2011 renewal, the Trust Board did a thorough review of the Trust business model. This included determining where the Trust adds value for members and determining areas for improvement. The Board also considered the impact of federal and state level health reform initiatives on its members. The outcome of this review was a new look for the Trust for 2012. On May 26, 2011, the board decided to expand the Trust's health insurance options from selected plans offered by only one carrier to the full range of plans offered by Vermont's three main carriers — and others as appropriate.

Effective January 1, 2012, the Health Trust moved to a "Carrier Choice" model to provide health coverage for its members. With this approach, the Health Trust offers market pricing on health insurance coupled with its unparalleled selection of complementary services and products.

To facilitate Carrier Choice, the Trust is partnering with Hickok Boardman Group Benefits (HBGB), which brings a depth of knowledge, experience, and tools to navigate the Vermont insurance marketplace. The Health Trust continues to offer group rates for dental, vision, life, disability, long-term care insurances as well as assistance with cafeteria plans. The Health trust continues to provide a comprehensive array of health promotion and wellness service to its members.

During calendar year 2012, the Trust staff will continue to work to promote a culture of wellness by encouraging member municipalities, their employees and their dependents to lead healthier lifestyles and to be wise health care consumers. In addition to our programs, we are helping our members make maximum use of the health promotion and wellness resources offered by the carrier they selected to provide their health insurance. While we understand that improved healthy behavior may not immediately show as dollar savings to the Trust's members, it is imperative that we continue to encourage people to do things that we know will have a positive impact on their overall health and on the cost of the health system in the long run.

Our renewal efforts for 2012 were successful. The Trust was able to add new municipal members and kept enrollment stable. This positive result ended a string of years of declining membership and subscribers. Administrative fees from our carrier partner under our previous model have been replaced with commission and grant revenue from the carriers that provide health insurance to our members. This revenue is adequate to allow us to carry our programs forward at a high level.

#### *Requests for Information*

For additional information, please contact the Chief Financial and Administrative Officer at the Vermont League of Cities and Towns, 89 Main Street, Suite 4, Montpelier, Vermont, 05602-2948, or call 802-229-9111.

VLCT Health Trust, Inc.

Statements of Net Position

	As of December 31,	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 495,476	\$ 1,424,493
Mutual funds, at fair value	424,793	431,539
Fixed-maturity securities, at fair value	1,371,191	1,409,588
Working fund deposit	163,449	61,677
Accrued investment income	14,884	14,684
Accounts receivable	40,013	10,028
Amounts due from related entities	97,159	107,054
Health insurance administration receivable	169,996	710,280
Prepaid expenses	<u>15,936</u>	<u>13,711</u>
 Total Assets	 <u>\$ 2,792,897</u>	 <u>\$ 4,183,054</u>
 <b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Unearned income	\$ -	\$ 883,340
Claims payable	243,784	327,102
Accounts payable and accrued expenses	402,244	303,327
Health insurance administration payable	<u>-</u>	<u>1,574</u>
Total liabilities	646,028	1,515,343
 <b>Net Position</b>		
Unrestricted	<u>2,146,869</u>	<u>2,667,711</u>
 Total Liabilities and Net Position	 <u>\$ 2,792,897</u>	 <u>\$ 4,183,054</u>

*See accompanying notes to the financial statements.*

VLCT Health Trust, Inc.

Statements of Revenues, Expenses, and Changes in Net Position

	Years ended December 31,	
	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>		
Health insurance premiums	\$ 21,837,556	\$ 26,578,236
Administration fees - Health	959,723	1,046,717
Administration fees - Dental	30,380	12,639
Administration fees - Disability/Life	66,244	36,105
PACIF share of wellness contract	155,099	146,256
Other income	<u>63,673</u>	<u>59,673</u>
Total operating revenues	23,112,675	27,879,626
<b>Operating Expenses</b>		
Claims paid	20,098,971	23,662,504
Health insurance administration	2,382,902	3,065,602
Leader program	218,462	276,219
General and administrative expenses	<u>1,036,863</u>	<u>1,007,029</u>
Total operating expenses	23,737,198	28,011,354
Operating loss	(624,523)	(131,728)
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	71,063	64,240
Investment income - net realized gain and change in fair value	42,494	106,535
Investment management fees	(3,706)	(3,512)
Investment consulting fees	(2,083)	(2,327)
Investment banking fees	<u>(4,087)</u>	<u>(4,290)</u>
Net non-operating revenue	<u>103,681</u>	<u>160,646</u>
Change in Net Position	(520,842)	28,918
Net Position, Beginning of Year	<u>2,667,711</u>	<u>2,638,793</u>
Net Position, End of Year	<u>\$ 2,146,869</u>	<u>\$ 2,667,711</u>

*See accompanying notes to the financial statements.*

VLCT Health Trust, Inc.

Statements of Cash Flows

	Years ended December 31,	
	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Receipts for insurance premiums	\$ 20,954,216	\$ 26,473,078
Receipts for administrative fees and commissions	1,056,347	1,095,461
Other receipts	196,457	(533,603)
Payments for claims	(19,642,005)	(23,628,417)
Payments for healthcare administration	(2,384,476)	(3,589,691)
Payments from the Working Fund Deposit	(101,772)	77,919
Payments for administration	<u>(1,156,408)</u>	<u>(1,036,496)</u>
Net cash used in operating activities	(1,077,641)	(1,141,749)
<b>Cash Flows from Investing Activities</b>		
Receipts of interest income	70,863	63,774
Investment fees paid	(9,876)	(10,129)
Purchases of investments	(1,253,647)	(668,991)
Proceeds of investments	<u>1,341,284</u>	<u>585,748</u>
Net cash provided by (used in) investing activities	148,624	(29,598)
Net change in cash and cash equivalents	(929,017)	(1,171,347)
Cash and Cash Equivalents, Beginning of Year	<u>1,424,493</u>	<u>2,595,840</u>
Cash and Cash Equivalents, End of Year	<u>\$ 495,476</u>	<u>\$ 1,424,493</u>
<b>Reconciliation of Operating Income to Net Cash used in Operating Activities</b>		
Operating Loss	(624,523)	(131,728)
Changes in assets and liabilities:		
Working fund deposit	(101,772)	77,919
Accounts receivable	(29,985)	51,324
Amounts due from related entities	9,895	(75,406)
Health insurance administration receivable	540,284	(710,280)
Prepaid expenses	(2,225)	(5,170)
Unearned income	(883,340)	(105,158)
Claims payable	(83,318)	34,087
Accounts payable and accrued expenses	98,917	246,752
Health insurance administration payable	<u>(1,574)</u>	<u>(524,089)</u>
Net cash used in operating activities	<u>\$ (1,077,641)</u>	<u>\$ (1,141,749)</u>

*See accompanying notes to the financial statements.*

# VLCT Health Trust, Inc.

## Notes to the Financial Statements

Years ended December 31, 2011 and 2010

### **Note A - Organization and Nature of Operations**

#### *Organization*

VLCT Health Trust, Inc. ("the Trust") was established in 1982 (1) to provide directly and indirectly members of the Vermont League of Cities and Towns ("VLCT") with various forms of health insurance, health maintenance cost containment procedures and programs, and health-related educational programs, (2) to negotiate and procure on behalf of members of VLCT and their employees various forms of medical and dental care insurance, (3) to act as an advocate before governmental regulatory agencies with respect to medical care and health maintenance facilities, programs and insurance available to Vermont municipal employees, and (4) to develop, promote and implement health maintenance programs for the benefit of Vermont municipalities and their employees.

The Trust offers a wide variety of employee benefit programs for Vermont municipalities including health, dental, and vision insurance, short and long-term disability insurance, long term care insurance, and Section 125 flexible spending account and COBRA administration.

Members joining the Trust agree to remain members for a minimum of one year, but may be terminated before that time for non-payment of premiums. If a member leaves the Trust at any point other than the first of the policy year and with 30 days written notice, they will be subject to an exit fee. When a member leaves the Trust, they cannot rejoin for two years. Underwriting and rate-setting policies have been established after consulting with actuaries. As of December 31, 2011 and 2010, the Trust provided health coverage to 194 and 224 members, respectively.

### **Note B - Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The financial statements of the Trust have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States ("GAAP") as applied to governmental entities. In accordance with Government Accounting Standards Board ("GASB") Statement No. 62 *Codification of Accounting and Financial guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("Statement No. 62"), the Trust follows all applicable GASB guidance. The Trust uses the economic resources measurement focus and the accrual basis of accounting and is accounted for as a proprietary enterprise fund.

#### *Subsequent Events*

The Trust has evaluated subsequent events for disclosure and recognition through April 26, 2012, the date on which these financial statements were available to be issued.

## VLCT Health Trust, Inc.

### Notes to Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

##### *Risks and Uncertainties*

The Trust's operating results and financial condition are affected by numerous factors and circumstances inherent within the insurance industry, some of which it can neither predict nor control. Among them are (1) the Trust's ability to enter into suitable future contracts; (2) fluctuations in interest rates affect the value and income yield of the Trust's investment portfolio in the short-term, and often affect default and prepayment rates over time. Should any of these or similar events occur, the Trust's operating results and financial condition may be affected; (3) legislation concerning health care may change the ability of the Trust to operate under its current structure.

##### *Investments*

The Trust accounts for its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("Statement No. 31"). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statement of operations. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. The calculation of realized gains and losses is independent of the calculation of the net change in fair value of investments. Realized gains and losses on investments that had been held for more than one year and sold in the current year were included as a change in the fair value of investments reported in the prior years and the current year. Investment purchases are recognized on the trade date. Investments are stated at fair value based on quoted market prices or prices obtained from a recognized pricing service.

##### *Cash and Cash Equivalents*

The Trust's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the Trust. Funds held at Citibank Bank (New England) are represented as the working fund deposit on the statement of net position.

VLCT Health Trust, Inc.

Notes to Financial Statements (Continued)

**Note B - Summary of Significant Accounting Policies (Continued)**

The Trust's carrying amount of cash deposits and the bank balance at December 31, 2011 and 2010 were as follows:

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Book</u>	<u>Bank</u>	<u>Book</u>	<u>Bank</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Insured/FDIC	\$ 495,476	\$ 500,000	\$ 500,000	\$ 500,000
Uninsured, Collateralized by US Gov't and Agency Securities held by the People's United Bank Trust Department with a security interest granted to the Trust	<u>-</u>	<u>21,027</u>	<u>924,493</u>	<u>928,289</u>
Total	<u>\$ 495,476</u>	<u>\$ 521,027</u>	<u>\$ 1,424,493</u>	<u>\$ 1,428,289</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Cash and cash equivalents shown above are held at People's United Bank and Citizens Bank (New England). The Federal Deposit Insurance Corporation ("FDIC") insures amounts on deposit up to the limits as prescribed by law. The Trust holds funds with financial institutions in excess of the FDIC insured amount, however, the Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

*Working Fund Deposit*

In accordance with the terms of the contract with CIGNA Healthcare ("CIGNA"), the Trust is required to maintain a separate account at Citibank which is utilized solely in connection with the program administered by CIGNA. This account enables CIGNA to directly withdraw amounts due to fund claims during the year. The balance of the deposit at December 31, 2011 and 2010 was \$163,449 and \$61,677, respectively. The services provided by CIGNA are more fully discussed in Note E. Amounts due to CIGNA under the cash management program to fund outstanding claims was \$243,784 and \$327,102 at December 31, 2011 and 2010, respectively and is recorded as claims payable on the statements of net position.

## VLCT Health Trust, Inc.

### Notes to Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Health Insurance Administrative Receivable/Payable*

Under a funding arrangement with CIGNA, the Trust's liability for claims each year is capped at an amount equal to the predetermined claim portion of the premium established at the beginning of the plan year and multiplied by the actual number of insured lives for each month of the year. During 2011, claims totaling \$20,268,967 exceeded the Trust's funding of \$20,098,971. The remaining amount owed to the Trust from CIGNA was \$169,996 for overpayments made during the year and refunds receivable. During 2010, claims totaling \$25,982,408 exceeded the Trust's funding of \$23,662,504 by \$2,319,904 which was funded by CIGNA. At December 31, 2010, the remaining amount owed to the Trust from CIGNA was \$710,280 for overpayments made during the year. These amounts are recorded as health insurance administration receivable on the statement of net position.

Based on this arrangement with CIGNA, any claims incurred in 2011 but reported and paid in 2012 will be the responsibility of CIGNA as the contract was terminated effective December 31, 2011 as more fully described in Note F.

##### *Unearned Income*

Unearned income represents the amounts billed and collected at December 31, 2010 for premiums with a coverage effective date of January 1, 2011 or later. There was no unearned income at December 31, 2011 due to the new program in place for 2012, as more fully described in Note F.

##### *Accounts Receivable*

Accounts receivable as of December 31, 2011 and 2010 consist of billed amounts not yet collected for premiums. Management anticipates no uncollectible accounts and, therefore, has not established an allowance for doubtful accounts.

##### *Amounts Due From Related Entities*

Amounts due from related entities as of December 31, 2011 and 2010 consist of wellness services billed to VLCT Property and Casualty Intermunicipal Fund, Inc. ("PACIF") and a refund from VLCT for an adjustment to the allocation to the Trust for administrative expenses for 2011. Management anticipates no uncollectible accounts and, therefore, has not established an allowance for doubtful accounts.

##### *Accounts Payable*

Accounts payable as of December 31, 2011 and 2010 consist of payments due to members for participation in the Leader Program, a program designed to reward members for participation in health and wellness activities, plus amounts payable to vendors for services provided to the Trust.

## VLCT Health Trust, Inc.

### Notes to Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Income Taxes*

The Trust is incorporated as a nonprofit corporation under the Vermont Nonprofit Corporation Act. The Trust's income is tax-exempt under Internal Revenue Code Section 115, which pertains to political subdivisions. Accordingly, the accompanying financial statements do not include a provision for federal or state income taxes.

##### *Classification of Revenues and Expenses*

The Trust reports itself as a business-type activity as defined in GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Business-type activities are financed in whole or in part by fees charged to external parties. Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Trust's enterprise fund include fund premiums and fees received from providing services. Operating expenses include claims paid and the costs of providing services and operating all programs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### *Reclassifications*

Certain reclassifications have been made in the 2010 audited financial statements to conform to the 2011 presentation, which had no effect on net position or change in net position.

#### **Note C - Investments**

The Trust's investment policy, as approved by the Board of Directors ("the Board"), contains certain provisions and limitations intended to mitigate the Trust's exposure to various investment risks, such as credit risk (including custodial risk and concentration risk) and interest rate risk, as follows:

- *Credit risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured by an assigned rating from a nationally recognized credit rating agency such as Standard and Poor's or Moody's Rating Services. These organizations look at a number of factors in order to evaluate the credit risk of an obligation and rate the risk. This rating allows investors to make informed buying and selling decisions. The Trust's investment policy is structured with limitations and guidelines intended to mitigate the components of credit risk as summarized in the following two bullet points.

VLCT Health Trust, Inc.

Notes to Financial Statements (Continued)

**Note C - Investments (Continued)**

- *Custodial credit risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the Vermont Statutes nor the Trust's investment policy guidelines contain requirements limiting custodial credit risk other than indicating that "prudent investment policies" should be followed. An agreement with the People's United Bank, the custodial financial institution for the investment portfolio, is in place and indemnifies the Trust against losses caused by negligence or dishonesty.
- *Concentration of credit risk* - Concentration risk is the risk of loss attributable to the magnitude of an investment in a single issuer (with the exception of U.S. Obligations, which have no limit) to 5% of the total investments. There are no single investments other than U.S. Obligations that exceed the limit as of December 31, 2011 and 2010.
- *Interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Trust's investment policy limits the average effective duration to 8 years.

The following table provides a summary of the fair value of the Trust's investment in fixed-maturity securities by contractual maturity as of December 31, 2011. The expected maturities in the following table may differ from the contractual maturities because certain borrowers may have the right to call or prepay obligations with or without penalty.

	<u>December 31, 2011</u>				
	<u>Due in one year or less</u>	<u>Due after one year through five years</u>	<u>Due after five years through ten years</u>	<u>Due after ten years</u>	<u>Total</u>
U.S. Treasuries	\$ 41,106	\$ -	\$ -	\$ -	\$ 41,106
U.S. Agencies	-	-	-	103,910	103,910
U.S. Agency MBS	-	22,188	10,730	12,362	45,280
Corporate Bonds	126,104	113,562	342,998	547,171	1,129,835
Municipal Bonds	-	-	21,286	22,641	43,927
Foreign Bonds	-	-	-	7,133	7,133
<b>Total</b>	<b><u>\$ 167,210</u></b>	<b><u>\$ 135,750</u></b>	<b><u>\$ 375,014</u></b>	<b><u>\$ 693,217</u></b>	<b><u>\$ 1,371,191</u></b>

VLCT Health Trust, Inc.

Notes to Financial Statements (Continued)

**Note C - Investments (Continued)**

The table below outlines the Standard and Poor's (S&P) credit ratings of the Trust's fixed-maturity securities as of December 31, 2011:

	U.S. Treasuries	U.S. Agency MBS	U.S. Agency	Corporate Bonds	Municipal Bonds	Foreign Bonds	Total
AAA	\$ -	\$ -	\$ -	\$ 111,137	\$ -	\$ -	\$ 111,137
AA+	41,106	45,280	103,910	184,390	17,105	-	391,791
AA	-	-	-	23,329	-	-	23,329
AA-	-	-	-	41,800	5,520	-	47,320
A+	-	-	-	112,319	10,256	7,133	129,708
A	-	-	-	119,215	11,046	-	130,261
A-	-	-	-	226,920	-	-	226,920
BBB+	-	-	-	163,277	-	-	163,277
BBB	-	-	-	99,835	-	-	99,835
BBB-	-	-	-	28,281	-	-	28,281
Not Rated	-	-	-	19,332	-	-	19,332
Total	<u>\$ 41,106</u>	<u>\$ 45,280</u>	<u>\$ 103,910</u>	<u>\$ 1,129,835</u>	<u>\$ 43,927</u>	<u>\$ 7,133</u>	<u>\$ 1,371,191</u>

The effective duration is used to assess interest rate risk by estimating the sensitivity of fixed income securities to interest rate changes. The effective duration estimates the percentage change in the market value of an investment (or an investment portfolio) for a one percent change in interest rates. It makes assumptions regarding the most likely timing and amounts of variable cash flows for investments that are highly sensitive to interest rate changes, such as mortgage-backed securities, callable bonds and variable-rate debt.

The following were the effective durations of fixed-maturity securities held by the Trust as of December 31, 2011:

	Fair Value	Effective Duration
U.S. Treasuries	\$ 41,106	0.45
U.S. Agencies	103,910	6.69
U.S. Agency MBS	45,280	1.90
Corporate Bonds	1,129,835	6.54
Municipal Bonds	43,927	10.04
Foreign Bonds	<u>7,133</u>	<u>8.77</u>
Total	<u>\$ 1,371,191</u>	6.30

## VLCT Health Trust, Inc.

### Notes to Financial Statements (Continued)

#### Note C - Investments (Continued)

The average effective duration of the investment portfolio as of December 31, 2011 and 2010, was 6.30 and 5.45 years, respectively.

The following table shows the classifications of the Trust's mutual fund investments as of December 31, 2011 and 2010:

<u>Classification</u>	<u>2011 Fair Value</u>	<u>2010 Fair Value</u>
Foreign Large Blend	\$ 69,988	\$ 78,751
Large Cap Growth	65,182	66,141
Large Cap Value	75,414	77,066
Mid Cap Growth	73,060	73,954
Mid Cap Value	69,929	66,063
Small Cap Blend	<u>71,220</u>	<u>69,564</u>
Total	<u>\$ 424,793</u>	<u>\$ 431,539</u>

Net realized gains on the sale of investments were \$19,740 and net change in unrealized gains on investments were \$22,754 for the year ended December 31, 2011. Net realized gains on the sale of investments were \$20,605 and net change in unrealized gains on investments were \$85,930 for the year ended December 31, 2010.

#### Note D - Administrative Services Provided by VLCT

The accompanying financial statements represent the general operations of the Trust and do not include the operations and financial condition of VLCT or other affiliated organizations.

VLCT provides staff, office space and equipment usage to the Trust. The following VLCT expenses are attributable to the Trust.

- Salary and benefits for administrative staff including finance, human resource, production and general administrative support
- Office costs including all building-related expenses and insurances
- Equipment and communications costs
- Printing and supplies
- Travel and training for administrative functions
- Non-Trust Officers costs
- Contracted service
- Dues and subscriptions for administrative staff
- Services provided for administrative activities

## VLCT Health Trust, Inc.

### Notes to Financial Statements (Continued)

#### Note D - Administrative Services Provided by VLCT (Continued)

- Miscellaneous costs related to administrative activities

For the years ended December 31, 2011 and 2010, expenses allocated to the Trust were \$679,298 and \$683,056 for administrative services and \$22,838 and \$20,828 was paid for auto usage reimbursement, respectively. For the years ended December 31, 2011 and 2010, budgeted administrative expenses allocated to the Trust were 15.3% and 16.2%, respectively, of total allocable VLCT expenses. These costs are included as a component of general and administrative expenses on the statement of revenues, expenses and changes in net position.

#### Note E - Insurance Contract

Effective January 1, 2008, the Trust entered into a minimum premium insurance contract with CIGNA, covering the Trust's health benefits plan. This agreement provides for a maximum funding requirement and is determined by multiplying the predetermined premium rates established at the beginning of the plan year (prior to January 1st) by the actual number of monthly insured lives for each month of the plan year.

CIGNA's contract refers to the minimum premium funding arrangement as a "Cash Management Program" ("CMP"). Under the CMP, the monthly premium rates paid to CIGNA (net of the Trust administrative fees) are divided into five components, as follows:

- (1) **Bank Liability:** This is the portion of the premium that pays claims. Funds are deposited in a bank account that CIGNA draws down to pay claims. This funding includes the current 5% claims margin.
- (2) **Residual:** This pays for CIGNA administrative costs.
- (3) **Access Fee:** This is an administrative charge for provider network access.
- (4) **Experience Protection Benefit:** This is a charge for stop loss insurance.
- (5) **Supplemental Premium:** This is a reserve increase component (used to build reserves for paying claims incurred but not yet paid (IBNP) as of the date of the policy's termination). These funds are held by CIGNA.

The Trust's liability is capped each plan year at 100% of the total rates (bank liability, retention and supplemental premium) times covered lives each month for the year. The liability is limited due to the purchase of the experience protection benefit or "stop loss". Amounts paid for this benefit represented \$507,247 and \$623,536 for 2011 and 2010, respectively.

## VLCT Health Trust, Inc.

### Notes to Financial Statements (Continued)

#### **Note E - Contract with Insurer/Fund Balance (Continued)**

Pursuant to the CMP, the Trust pays CIGNA monthly the amount necessary to pay for retention (residual, access fee, and experience protection benefit) and supplemental premium. The Trust also funds a Trust-owned bank account, as more fully described in Note B, for the actual monthly paid claims, as advised by CIGNA. If claims costs are less than the bank liability amount, the Trust holds the funds and receives the cash flow benefit. If claim costs are more than the bank liability amount, CIGNA funds the overage.

At the end of each plan year, CIGNA reviews claims paid and expenses, and reevaluates the IBNP (supplemental premium) they are holding for adequacy. The Trust is not liable to CIGNA for any more than the maximum premium liability for that year (bank liability, retention and full reserves). If there is a deficit, CIGNA carries forward the deficit and attempts to recapture the loss from any surplus in future plan years. As of December 31, 2011, claims exceeded the funding maximum by \$169,996. For the year ending December 31, 2010 claims were more than the funding maximum by \$2,319,904.

Furthermore, upon termination, CIGNA is liable to pay from its reserves, including supplemental premium, all claims incurred during the plan year but unpaid as of the termination date. The Trust does not have any liability for these run-out claims. For 2011 and 2010, the Trust did not pay supplemental reserve premiums to CIGNA.

At some future point after termination, CIGNA will do a final accounting. If there is any surplus, the surplus funds will be returned the Trust. If there is a final deficit, CIGNA bears the loss.

#### **Note F - Subsequent Events**

As a result of the challenging 2011 renewal, the Trust Board did a thorough review of the Trust business model. In May 2011, the Trust's Board decided to expand the health insurance options from selected plans offered by only one carrier to a full range of plans, primarily offered by Vermont's three main carriers.

Effective January 1, 2012, the Health Trust moved to a "Carrier Choice" model to provide health coverage for its members. With this approach, the Health Trust offers market pricing on health insurance coupled with complementary insurance services and products. To facilitate Carrier Choice, the Trust has partnered with Hickok Boardman Group Benefits (HBGB). The Trust continues to offer group rates for dental, vision, life, disability, long-term care insurances as well as assistance with cafeteria plans. The Trust continues to provide a comprehensive array of health promotion and wellness service to its members.

VLCT Health Trust, Inc.

Claims Development Information

December 31, 2011

The table on the following page illustrates how the Trust's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust for the last ten years. The rows of the table are defined as follows:

- (1) This line shows the gross of each fiscal year's earned premium revenues, investment and other revenues.
- (2) This line shows each fiscal year's reinsurance premiums (experience protection benefit), these fees are recorded within health insurance administration fees on the statement of revenues, expenses and changes in net position.
- (3) This line shows the net of each fiscal year's earned premium revenues, investment, and other revenues.
- (4) This shows each fiscal year's other operating costs of the Trust including overhead and claims expense not allocable to individual claims.
- (5) This line shows the Trust's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event triggered coverage under the contract occurred (called policy year).
- (6) This line shows the amount of the HMO premiums included in total estimated claims and expenses.
- (7) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- (8) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of the successive years. This annual re-estimation is the result of new information received on known claims, as well as emergence of new claims not previously known.

The columns of the table show data for successive policy years.

VLCT Health Trust, Inc.

Ten-Year Claims Development Information

December 31, 2011

	Fiscal and Policy Year Ended (in thousands of dollars)									
	CIGNA Minimum Premium			CIGNA Retrospective	BC/BS Modified Retrospective					
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
(1) Gross premium and investment income	23,226	28,051	31,919	28,526	28,116	37,772	35,774	31,832	27,920	22,632
(2) Less: Reinsurance expenses	507	624	643	587	499	808	598	466	331	223
(3) Net earned premiums and investment income	22,719	27,427	31,276	27,939	27,617	36,964	35,177	31,366	27,589	22,409
(4) Unallocated expenses	3,140	3,735	5,289	8,010	4,945	4,923	4,177	3,646	3,107	2,632
(5) Estimated losses and allocated expenses incurred, net at the end of year:	20,099	23,663	25,901	20,122	23,240	33,742	30,578	26,890	25,408	21,206
(6) HMO Premiums included in Total Estimated Claims and Expenses	-	-	-	-	-	2,121	2,163	1,974	2,608	2,792
(7) Paid (Cumulative) as of:										
End of policy year	19,855	23,335	25,607	20,341	21,038	31,404	28,127	24,602	23,293	19,571
One year later		23,663	25,901	20,122	23,240	33,742	30,578	26,890	25,408	21,206
(8) Reestimated incurred losses and expenses										
End of policy year	20,099	23,663	25,901	20,122	23,240	33,742	30,578	26,890	25,408	21,206
One year later		23,663	25,901	20,122	23,240	33,742	30,578	26,890	25,408	21,206

See accompanying notes to the financial statements.

VLCT Health Trust, Inc.

Reconciliation of Claim Liabilities

December 31, 2011

	<u>Total</u>	
	<u>2011</u>	<u>2010</u>
Claims payable for claims at beginning of year	\$ 327,102	\$ 293,015
Incurred claims:		
Current year	20,098,971	23,662,504
Prior years	<u>-</u>	<u>-</u>
Total claims incurred	<u>20,098,971</u>	<u>23,662,504</u>
Claim payments:		
Current year	19,855,187	23,335,402
Prior years	<u>327,102</u>	<u>293,015</u>
Total claims paid	<u>20,182,289</u>	<u>23,628,417</u>
Claims payable at end of year	<u>\$ 243,784</u>	<u>\$ 327,102</u>

*See accompanying notes to the financial statements.*

VLCT Health Trust, Inc.

Schedule of Revenues and Expenses Budget to Actual

Year ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
<b>REVENUES</b>			
Health insurance premiums	\$ 26,944,000	\$ 21,837,556	\$ (5,106,444)
Administration fees - Health	1,090,712	959,723	(130,989)
Administration fees - Dental	15,000	30,380	15,380
Administration fees - Disability/Life	35,000	66,244	31,244
PACIF share of wellness contract	169,075	155,099	(13,976)
Other income	58,000	63,673	5,673
Trust interest	-	71,063	71,063
Change in fair value	-	42,494	42,494
Total Revenues	<u>28,311,787</u>	<u>23,226,232</u>	<u>(5,085,555)</u>
<b>EXPENSES</b>			
Claims Paid and Health Insurer Administration	26,944,000	22,481,873	(4,462,127)
<b>Administration - Cost Center</b>			
VLCT Administration	302,771	284,867	(17,904)
Audit/Accounting	20,000	20,871	871
Legal Services	7,000	3,150	(3,850)
Consulting Services	75,000	48,041	(26,959)
Administration Contracts	42,000	34,683	(7,317)
Board of Directors	17,200	13,055	(4,145)
Insurance	8,000	13,894	5,894
Investment Management	4,000	3,706	(294)
Investment Consulting	3,500	2,083	(1,417)
Bank Costs	3,300	4,087	787
Town Fair	-	364	364
Dues/Subscriptions	3,000	1,360	(1,640)
Travel/Training - Staff	5,000	4,633	(367)
Travel/Training - Board	750	591	(159)
Vehicle Expenses	1,000	1,344	344
Office Supplies and Equipment	500	-	(500)
Printing	1,000	516	(484)
Promotional	100	-	(100)
Annual Meeting	5,000	5,895	895
Miscellaneous	100	-	(100)
Total Administration	<u>499,221</u>	<u>443,140</u>	<u>(56,081)</u>
<b>Member Relations - Cost Center</b>			
VLCT Administration	260,072	244,693	(15,379)
Legal Services	750	213	(537)
Dues/Subscriptions	600	436	(164)
Travel/Training - Staff	4,500	3,899	(601)
Member Training	1,000	-	(1,000)
Vehicle Expenses	6,000	13,521	7,521
Printing	3,500	715	(2,785)
Communication	2,500	2,405	(95)
Office Supplies and Equipment	300	-	(300)
Promotional	1,000	1,254	254
Miscellaneous	500	-	(500)
Total Member Relations	<u>280,722</u>	<u>267,136</u>	<u>(13,586)</u>

See accompanying notes to the financial statements.

VLCT Health Trust, Inc.

Schedule of Revenues and Expenses Budget to Actual (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
<b>Wellness - Cost Center</b>			
VLCT Administration	159,149	149,738	(9,411)
Consulting Services	500	-	(500)
Dues/Subscriptions	1,000	762	(238)
Travel/Training - Staff	6,000	5,585	(415)
Member Training	70,000	58,440	(11,560)
Invest EAP	81,000	78,168	(2,832)
Vehicle Expenses	10,000	7,973	(2,027)
CIGNA Grant	50,000	35,607	(14,393)
Printing	10,000	554	(9,446)
Leader Program	230,000	218,098	(11,902)
Miscellaneous	<u>500</u>	<u>-</u>	<u>(500)</u>
Total Wellness	<u>618,149</u>	<u>554,925</u>	<u>(63,224)</u>
Total Expenses	<u>28,342,092</u>	<u>23,747,074</u>	<u>(4,595,018)</u>
Excess of Revenues over Expenses	<u>\$ (30,305)</u>	<u>\$ (520,842)</u>	<u>\$ (490,537)</u>

*See accompanying notes to the financial statements.*