

TEACHERS HEALTH TRUST
JUNE 30, 2010 AND 2009

**TEACHERS HEALTH TRUST
JUNE 30, 2010 AND 2009**

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KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Teachers Health Trust

We have audited the accompanying statements of net assets available for plan benefits and of benefit obligations of the Teachers Health Trust (the "Trust") as of June 30, 2010 and 2009, and the related statements of changes in net assets available for plan benefits and of changes in benefit obligations for the years then ended. The 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Teachers Health Trust as of June 30, 2010 and 2009, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules for the years ended June 30, 2010 and 2009, listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Trust's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Kafoury, Armstrong + Co.

Reno, Nevada
December 15, 2010

TEACHERS HEALTH TRUST

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS AS OF JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
INVESTMENTS, at fair value	\$ 33,515,202	\$ 27,291,170
RECEIVABLES, related party	590	23,371
CASH AND CASH EQUIVALENTS	7,277,326	7,963,355
FIXED ASSETS (net of accumulated depreciation of \$3,259,758 and \$2,635,089, respectively)	7,173,960	7,055,367
OTHER ASSETS	32,095	27,505
PREPAID EXPENSES	114,093	115,026
	<u>48,113,266</u>	<u>42,475,794</u>
Total assets		
LIABILITIES AND NET ASSETS		
Accounts payable for administrative expenses	666,657	990,099
Due to related party	17,791	17,705
Deferred insurance contribution	64,804	58,737
Capital lease payable	71,638	-
	<u>820,890</u>	<u>1,066,541</u>
Total liabilities		
TOTAL NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u><u>\$ 47,292,376</u></u>	<u><u>\$ 41,409,253</u></u>

See accompanying notes.

TEACHERS HEALTH TRUST

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
ADDITIONS:		
Contributions		
Clark County School District / Charter Schools	\$ 119,181,119	\$ 119,925,775
Employee deduction	23,049,968	22,250,797
Retiree participants	-	389,258
Self-pay, COBRA, staff participants	1,701,357	2,081,588
	<u>143,932,444</u>	<u>144,647,418</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	1,633,443	(1,925,208)
Interest and dividends	1,351,490	1,315,630
	<u>2,984,933</u>	<u>(609,578)</u>
Less: Investment manager fees	82,244	83,358
	<u>2,902,689</u>	<u>(692,936)</u>
Other income	2,391,308	2,284,334
Total additions	<u>149,226,441</u>	<u>146,238,816</u>
DEDUCTIONS:		
Insurance premiums	2,236,823	2,738,673
Benefits paid for participants		
Medical	87,678,510	88,371,169
Prescription drugs	31,649,197	27,693,653
Dental	11,378,488	12,082,161
Vision	2,115,554	2,236,625
	<u>132,821,749</u>	<u>130,383,608</u>
Administrative expenses	8,284,746	8,397,775
Total deductions	<u>143,343,318</u>	<u>141,520,056</u>
NET INCREASE	5,883,123	4,718,760
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	<u>41,409,253</u>	<u>36,690,493</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	<u>\$ 47,292,376</u>	<u>\$ 41,409,253</u>

See accompanying notes.

TEACHERS HEALTH TRUST

STATEMENTS OF BENEFIT OBLIGATIONS AS OF JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
AMOUNTS CURRENTLY PAYABLE TO OR FOR PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS:		
Insurance premiums	\$ 209,434	\$ 216,527
Benefit claims	2,736,266	1,916,672
Prescription drugs	<u>1,349,116</u>	<u>1,048,665</u>
Total currently payable	4,294,816	3,181,864
OTHER CURRENT BENEFIT COVERAGE OBLIGATIONS:		
Claims incurred but not reported, at present value of estimated amounts	<u>6,963,734</u>	<u>7,783,328</u>
 TOTAL BENEFIT OBLIGATIONS	 <u>\$ 11,258,550</u>	 <u>\$ 10,965,192</u>

See accompanying notes.

TEACHERS HEALTH TRUST

STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
AMOUNTS CURRENTLY PAYABLE TO OR FOR PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS:		
Balance at beginning of year	\$ 3,181,864	\$ 6,269,779
Claims reported and approved for payment	136,171,524	130,034,366
Claims paid	<u>(135,058,572)</u>	<u>(133,122,281)</u>
Balance at end of year	<u>4,294,816</u>	<u>3,181,864</u>
OTHER OBLIGATIONS FOR CURRENT BENEFIT COVERAGE, at estimated amounts:		
Balance at beginning of year	7,783,328	8,527,585
Net change during year	<u>(819,594)</u>	<u>(744,257)</u>
Balance at end of year	<u>6,963,734</u>	<u>7,783,328</u>
TOTAL OBLIGATIONS OTHER THAN POSTRETIREMENT BENEFIT OBLIGATIONS	<u>11,258,550</u>	<u>10,965,192</u>
POSTRETIREMENT BENEFIT OBLIGATIONS:		
Balance at beginning year	-	19,286
Plan amendments	<u>-</u>	<u>(19,286)</u>
	<u>-</u>	<u>-</u>
TOTAL BENEFIT OBLIGATIONS, END OF YEAR	<u>\$ 11,258,550</u>	<u>\$ 10,965,192</u>

See accompanying notes.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 1 – DESCRIPTION OF THE TRUST

The following description of the Teachers Health Trust (the "Trust") provides only general information. Trust participants should refer to the Trust Agreement and plan document for a more complete description of the Trust provisions.

General - On October 1, 1983, as a result of contract negotiations between the Clark County Education Association ("CCEA"), operating at that time as the Clark County Classroom Teachers Association ("CCCTA"), and the Clark County School District ("CCSD"), the Trust was created under NRS 287.010. The responsibilities of administration and management of health and welfare benefits shifted from the CCSD, as an employer, to the CCEA as bargaining agents of education employees. The Trust was established by the CCEA to administer health benefits for its participants. All licensed employees of CCSD paid on the teachers' salary schedule and eligible for representation by the CCEA, and other groups identified by the Teachers Health Trust Board of Trustees, are eligible for coverage. The Trust has elected to follow, but is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Benefits - The Trust provides medical, prescription drug, dental, vision, behavioral health, and death benefits to eligible participants. Participants become eligible for coverage on the first day of the month following their hire date.

Contributions - The collective bargaining agreement with the CCSD provides for monthly contributions to the Trust for eligible employees of the CCSD. The contribution rate is determined through collective bargaining between the CCEA and the CCSD. Participants may elect to make contributions to extend coverage to their eligible dependents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Trust maintains its records on the accrual basis of accounting. Revenue is recognized when earned, and administrative expenses are recognized when incurred.

Investment Valuation and Income Recognition – The Trust's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date and interest income on the accrual method. Net appreciation (depreciation) includes the Trust's gains and losses on investments bought and sold, as well as held during the year. The Trust has contracted with an investment manager and investment custodian to manage the Trust's investment assets. For further information regarding fair value measurements of the Trust's investments, see Note 5.

Cash Equivalents - The Trust considers all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets, Net - Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets. The Trust depreciates its fixed assets using an estimated useful life of 40 years for buildings, 10 years for office furniture and equipment, and 5 years for computer hardware and software and telephone equipment. Costs of major improvements are capitalized, while costs of normal maintenance and repairs are expensed as incurred.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates used by the Trust include the total benefit obligation and changes therein, claims incurred but not reported, claims payable, and the estimated useful lives for depreciable assets. Actual results could differ from these estimates.

Priorities Upon Termination - Except as may be otherwise provided by law, in the event of termination, the Trust agreement provides that any monies remaining in the Trust will be used for the continuance of the purpose for which the Trust was established and for the administrative expense of the Trust, until such monies are exhausted.

Other Assets – Other assets consists primarily of deposits for security alarm, utilities, and workers compensation policy.

Benefits and Insurance Premiums – Benefits and insurance premiums are recorded when paid.

Claims Payable and Estimated Claims Incurred but Not Reported - Plan obligations at June 30, 2010 and 2009, for health claims payable and claims incurred by participants but not reported at that date, are estimated by the Trust's actuary in accordance with accepted actuarial principles. Such principles include a method that the progression of claim payment follows runoff patterns that are assumed to remain stable over time, adjusted for other factors that could impact the reserve adequacy.

Income Taxes - Based on a determination received from the Internal Revenue Service ("IRS") the Trust is exempt from federal income tax based upon Section 501 (c)(9) of the Internal Revenue Code ("IRC"). Accordingly, the Trust's net investment income is exempt from income taxes. The Trust has obtained a favorable tax determination letter, dated March 21, 1991, from the IRS, and management of the Trust believes it continues to qualify and to operate in accordance with applicable provisions of the IRC.

Reclassification – Certain amounts in the 2009 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events – Management has evaluated subsequent events through December 15, 2010, which is the date these financial statements were available to be issued and the financial statements have not been updated for subsequent events occurring after that date.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 3 – CONTRIBUTION RATE

Pursuant to the current collective bargaining agreement, the CCSD contribution for each participating licensed employee was \$538.87 per month effective July 1, 2008. The collective bargaining agreement remains effective until a new rate is negotiated.

NOTE 4 – INVESTMENTS

The Trust retains an investment consultant and manager to manage the Trust investments according to the investment policies established by the Trust's Board of Trustees. Investments consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Mutual funds – bond	\$ 16,186,764	\$ 16,219,181
Mutual funds – equity	12,964,385	7,047,804
Limited partnership	-	812,130
U.S. Government bonds	101,042	-
Municipal bonds	903,783	-
Certificate of deposit	3,216,206	3,140,608
Money market account	<u>143,022</u>	<u>71,447</u>
	<u>\$ 33,515,202</u>	<u>\$ 27,291,170</u>

The fair value of individual investments that represent 5% or more of the Trust's net assets are as follows:

	<u>2010</u>	<u>2009</u>
Mutual Funds:		
PIMCO Real Return Fund, Institutional	\$ 3,273,636	\$ 2,934,931
PIMCO Total Return Fund, Institutional	9,722,373	4,505,311
PIMCO Total Asset Fund, Institutional	1,614,328	2,008,611
Vanguard Total Bond Market Index Fund	-	3,822,515
PIMCO GNMA, Institutional	-	2,524,479
PIMCO Investment Grade, Institutional	-	2,431,945
PIMCO Low Duration Fund	3,190,755	-
Certificate of Deposit:		
Bank of Nevada	3,216,206	3,140,608

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 4 – INVESTMENTS (continued)

During 2010 and 2009, the Trust's investments (including investments bought, sold and held during the year) appreciated (depreciated) by \$1,633,443 and (\$1,925,208), respectively, as follows:

	<u>Year ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Net appreciation (depreciation) in fair value of investments:		
Mutual funds	\$ 1,600,172	(\$ 1,925,208)
U.S. Government bonds	780	-
Municipal bonds	<u>32,491</u>	<u>-</u>
	<u>\$ 1,633,443</u>	<u>(\$ 1,925,208)</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB), *Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and 2009.

- *Money Market Fund:* Valued at amortized cost, in accordance with accounting rules under the Investment Company Act of 1940. Amortized cost approximated fair value.
- *Mutual Funds:* Valued at the net asset value (“NAV”) of shares held by the Trust at year end.
- *Limited Partnership:* Valued at the net asset value (“NAV”) of the units held, which is determined on the fair value of the entities underlying net assets.
- *Non-negotiable Certificate of Deposit:* Valued at cost, plus accrued interest.
- *U.S. Government bonds:* Valued based on inputs including interest-rate yield curves, cross-currency-basis index spreads and country credit spreads similar to the bond in terms of issuer, maturity and seniority.
- *Municipal bonds:* Valued based on cash flow models that include interest rate yield curves.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Trust’s assets at fair value as of June 30, 2010 and 2009.

Assets at Fair Value as of June 30, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ -	\$ 143,022	\$ -	\$ 143,022
U.S. Government bonds	-	101,042	-	101,042
Municipal bonds:				
AAA credit rating	-	486,031	-	486,031
AA+ credit rating	-	50,025	-	50,025
AA credit rating	-	258,491	-	258,491
AA- credit rating	-	50,653	-	50,653
A+ credit rating	-	58,583	-	58,583
Mutual funds:				
U.S. Large Cap	2,885,353	-	-	2,885,353
U.S. Small / Mid Cap	1,209,994	-	-	1,209,994
International	2,846,799	-	-	2,846,799
Multi Strategy	5,159,455	-	-	5,159,455
Fixed income	16,186,764	-	-	16,186,764
Commodity	862,784	-	-	862,784
Certificate of deposit	-	3,216,206	-	3,216,206
Total	\$ 29,151,149	\$ 4,364,053	\$ -	\$ 33,515,202

TEACHERS HEALTH TRUST

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

	<u>Assets at Fair Value as of June 30, 2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ -	\$ 71,447	\$ -	\$ 71,447
Mutual funds:				
U.S. Large Cap	2,412,280	-	-	2,412,280
U.S. Small / Mid Cap	569,344	-	-	569,344
International	1,042,185	-	-	1,042,185
Multi Strategy	3,023,995	-	-	3,023,995
Fixed income	16,219,181	-	-	16,219,181
Limited partnership	-	-	812,130	812,130
Certificate of deposit	-	3,140,608	-	3,140,608
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 23,266,985</u>	<u>\$ 3,212,055</u>	<u>\$ 812,130</u>	<u>\$ 27,291,170</u>

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended June 30, 2010.

	<u>Limited Partnership</u>
Balance, beginning of year	\$ 812,130
Purchases, sales, issuances and settlements (net)	<u>(812,130)</u>
Balance, end of year	<u>\$ -</u>

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Trust maintains its cash balances with Bank of Nevada. At June 30, 2010, the Trust's uninsured bank balances totaled \$13,625,883. Trust management periodically evaluates financial soundness of the financial institution and believes such assets do not pose a financial risk to the Trust.

TEACHERS HEALTH TRUST

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 7 – FIXED ASSETS

Fixed assets, net are summarized as follows at June 30:

	<u>2010</u>	<u>2009</u>
Building - 2950 E. Rochelle Avenue	\$ 5,967,452	\$ 5,008,447
Land - 2950 E Rochelle Avenue	640,000	640,000
Office furniture and equipment	751,522	742,822
Computer hardware and software	2,740,535	2,244,651
Telephone equipment	248,399	248,399
Capital lease equipment	85,810	-
Construction in progress	-	806,137
	<u>10,433,718</u>	<u>9,690,456</u>
Accumulated depreciation	<u>(3,259,758)</u>	<u>(2,635,089)</u>
Total fixed assets, net	<u>\$ 7,173,960</u>	<u>\$ 7,055,367</u>

Depreciation expense for the years ended June 30, 2010 and 2009 totaled \$624,670 and \$526,590, respectively.

NOTE 8 – RELATED PARTIES

The Trust reimburses CCEA for costs incurred based on the relationship agreement between the CCEA and the Trust. The Trust and CCEA are separate entities and maintain separate records. As of June 30, 2010 and 2009, the Trust had a payable due to CCEA of \$16,669 and \$17,705, respectively. Amounts paid to CCEA were \$367,332 and \$444,982 for the years ended June 30, 2010 and 2009, respectively.

The Agreement and Declaration of Trust by the Clark County Education Association (CCEA) was made on August 11, 2008. CCEA entered into a Collective Bargaining Agreement (CBA) with the Clark County School District (CCSD) providing for the creation of a retiree health and welfare plan for the employees covered by the CBA. This Trust, known as Retiree Health Trust (RHT), was established to provide health benefits to the retired employees and their dependents. The Trust and RHT are separate entities and maintain separate records. All employees who retire from actual employment with CCSD on or after January 1, 2009 and have attained the age of 52 with five years of service as a licensed employee are eligible to participate. RHT will provide medical, prescription drug, dental, vision, wellness and life insurance to eligible participants.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

NOTE 8 – RELATED PARTIES

On August 11, 2008, the Trust signed an Administrative Services Agreement with RHT, with an effective date of July 1, 2008. Under this Agreement, the Trust will provide services including claim processing, maintenance of eligibility records and other similar services. RHT paid the Trust \$61.17 per retiree per month and a onetime implementation fee of \$100,000 as set forth by the Agreement through August 31, 2009. Effective September 1, 2009 through October 31, 2011, the monthly fee per retiree was \$44.81 plus a flat administration fee of \$4,000 per month. Amounts received from RHT totaled \$45,538 and \$262 for the years ended June 30, 2010 and 2009, respectively.

NOTE 9 – BENEFIT OBLIGATIONS

The Trust's benefit obligations represents claims incurred but not reported, claims unprocessed, claims in ready-to-pay status but not yet paid, insurance premium payable, and prescription drug claims payable. As of June 30, 2010 and 2009, the Trust had recorded benefit obligations of \$11,258,550 and \$10,965,192, in the accompanying statements of benefit obligations, of which \$4,294,816 and \$3,181,864 is currently payable as of June 30, 2010 and 2009, respectively. The remaining amounts of \$6,963,734 and \$7,783,328 represent claims incurred but not reported.

As presented in the statements of changes in benefit obligations, the accumulated postretirement benefit obligation (APBO) was reduced to \$0 as of June 30, 2009. This resulted from a termination of coverage by THT of retirees as of January 1, 2009. As discussed in Note 8 above, RHT was established to provide these benefits to retirees effective January 1, 2009.

NOTE 10 – CAPITAL LEASE

The Trust leases equipment under a capital lease agreement with an unrelated third party. At June 30, 2010 and 2009, \$85,810 of such equipment is included in capital lease equipment, net of accumulated depreciation of \$16,128 and \$0 at June 30, 2010 and 2009, respectively. Future minimum payments under the lease as of June 30, 2010 are as follows:

Year ending June 30,	
2011	\$ 18,291
2012	18,291
2013	18,291
2014	<u>16,765</u>
	71,638
Less current maturities	<u>(18,291)</u>
	<u>\$ 53,347</u>

TEACHERS HEALTH TRUST

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 11 – EMPLOYEE BENEFIT PLAN

Effective January 1, 2001, the Trust established a Money Purchase Pension Plan for its eligible employees. The Trust makes a contribution of 18.4 percent of all eligible employees' compensation. Employer contributions for the year ended June 30, 2010 and 2009 were \$543,984 and \$508,993, respectively.

Effective January 1, 2007, the Trust established a Roth 401(k) plan for its employees. No contributions to the plan were made or required to be made by the Trust for the year ended June 30, 2010 and 2009.

NOTE 12 – RISKS AND UNCERTAINTIES

The Trust 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 Statements of Net Assets Available for Plan Benefits.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act (Act). The Act includes a large number of health-related provisions to take effect over the next four years. The impact to the Plan from the various provisions of the Act have not yet been determined, including the impact on the Plan's benefit obligations.

SUPPLEMENTAL SCHEDULES

TEACHERS HEALTH TRUST

SUPPLEMENTAL SCHEDULES OF ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Staff salaries and benefits:		
Claims administration	\$ 1,126,348	\$ 1,103,915
Accounting and administrative	1,037,602	998,295
Participant services	957,523	1,039,885
Support services	535,294	526,688
Provider services	467,023	477,860
Wellness and health programs	338,026	319,748
Document imaging	256,041	250,220
Information technology	242,007	240,511
Clinical initiatives	237,176	229,399
Communications	67,053	57,849
	<u>5,264,093</u>	<u>5,244,370</u>
Depreciation expense	624,670	526,590
Claims processing expenses	365,581	504,114
CCEA service agreement	345,760	341,003
Community foundation service agreement	225,000	225,000
Legal fees	295,570	374,605
Health education programs	183,194	157,721
Postage and delivery	163,491	212,615
Professionals fees	63,520	79,103
Benefit communications	143,536	96,063
Building expenses	125,192	79,301
Utilities expenses	88,193	91,369
Health Traxx newsletter	59,450	48,449
Computer supplies and expenses	51,975	28,761
Audit and actuarial fees	41,600	42,500
Insurance expenses	39,818	29,793
Trustees conference and meeting expenses	36,152	54,907
Fiduciary liability insurance	34,990	32,623
Photocopying expenses	33,754	29,410
Miscellaneous expenses	18,230	17,961
Publications, subscriptions, and dues	14,829	10,051
Printing expenses	14,681	62,280
Office supplies and expenses	14,163	25,608
Staff training and conference	13,917	8,449
Outside services and temporary employee	8,495	-
Employee related expenses	8,111	6,463
Rental expenses	6,781	5,524
Hospital service purchasing coalition fees	-	63,142
	<u>8,284,746</u>	<u>8,397,775</u>
Total	<u>\$ 8,284,746</u>	<u>\$ 8,397,775</u>

TEACHERS HEALTH TRUST

SUPPLEMENTAL SCHEDULES OF INSURANCE PREMIUMS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Group Term Life Insurance - Hartford	\$ 1,171,448	\$ 1,251,791
Utilization Management - Encompass	556,210	547,144
Behavioral Health - HBI	226,277	227,931
Vision PPO Network - Vision Service Plan	164,276	166,240
Dental PPO Network - Diversified Dental	69,620	140,993
Medical PPO Network - Coalition of America	48,992	52,440
PacifiCare / Secure Horizons	-	352,134
	<u> </u>	<u> </u>
Total	<u>\$ 2,236,823</u>	<u>\$ 2,738,673</u>