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2626 Glenwood Avenue – Suite 200  
Raleigh, North Carolina 27608  
phone 919.782.1040  
fax 919.783.0976

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
North Carolina Health Insurance Risk Pool, Inc.  
DBA Inclusive Health  
3739 National Drive  
Suite 228  
Raleigh, NC 27612

We have compiled the accompanying Statement of Net Assets of North Carolina Health Insurance Risk Pool, Inc. (an IRC Section 501(c)(26) corporation) as of March 31, 2011, the related Statement of Revenues, Expenses and Changes in Fund Net Assets for the month and year to date then ended and the accompanying Statement of Revenues and Expenses Budget to Actual for the month and year to date then ended, which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Raleigh, North Carolina  
May 3, 2011

**North Carolina Health Insurance Risk Pool, Inc.**  
**DBA Inclusive Health**  
**Statement of Net Assets**  
**March 31, 2011**

**ASSETS**

**Current Assets**

**Checking/Savings**

Cash - State - BB&T-Operating Account	\$ 703,214
Cash - State - BB&T - Master Account	2,202,025
Cash - State - BB&T - Distribution Account	(3,858)
Cash - State - BB&T - Money Market Account	3,866,800
Cash - Federal - BB&T - Master Account	1,398,773
Cash - Federal - BB&T - Operating Account	(56,978)
First Citizens Trust Services	34,725,709
<b>Total Checking/Savings</b>	<b>42,835,685</b>

**Other Current Assets**

Due from HHS - Federal Risk Pool	54,173
Grant Receivable - Federal CMS \$2,081,586	1,697,658
Prepaid Rent	1,496
Prepaid Insurance	5,144
Prepaid Advertising	67,640
Prepaid expenses	249,056
Unpaid Billed Balance - State Risk Pool	20,406
Unpaid Billed Balance - Federal Risk Pool	2,775
Allowance for Doubtful Accounts	(15,000)
<b>Total Other Current Assets</b>	<b>2,083,348</b>

**Total Current Assets** 44,919,033

**Fixed Assets**

Furniture and Equipment	12,623
Accumulated Depreciation	(5,952)
<b>Total Fixed Assets</b>	<b>6,671</b>

**TOTAL ASSETS** **\$ 44,925,704**

**LIABILITIES & NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 126,657
Pending Premiums - State Risk Pool	56,216
Pending Premiums - Federal Risk Pool	-
Unearned Premiums - State Risk Pool	116,835
Unearned Premiums - Federal Risk Pool	694
Unearned Revenue - Federal Grant #2	1,697,658
Unprocessed premiums & adjustments - State Risk Pool	257,006
Unprocessed premiums & adjustments - Federal Risk Pool	(810)
Obligated on CMS Subsidy Grant - State Risk Pool	1,492,296
Claims Payable - State Risk Pool	1,023,624
Claims Payable - Federal Risk Pool	160,967
IBNR Reserves - State Risk Pool	3,782,000
IBNR Reserves - Federal Risk Pool	1,621,000
Lag Adjustment Reserve - State Risk Pool	480,000
Lag Adjustment Reserve - Federal Risk Pool	87,000
Accrued Payroll Taxes	6,251
<b>Total Other Current Liabilities</b>	<b>10,907,394</b>

**North Carolina Health Insurance Risk Pool, Inc.  
DBA Inclusive Health  
Statement of Net Assets  
March 31, 2011**

<b>Total Current Liabilities</b>	<u>10,907,394</u>
<b>Total Liabilities</b>	10,907,394
<b>Net Assets</b>	
Invested in capital assets	6,671
Unrestricted Net Assets	<u>34,011,639</u>
<b>Total Net Assets</b>	<u>34,018,310</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><b>\$ 44,925,704</b></u>

**North Carolina Health Insurance Risk Pool, Inc.**  
**DBA Inclusive Health**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**March 31, 2011**

	State Risk Pool		Federal Risk Pool		Total	
	One Month Ended	Nine Months Ended	One Month Ended	Nine Months Ended	One Month Ended	Nine Months Ended
	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
<b>Operating Revenue</b>						
Monthly Premiums	\$ 3,103,465	\$ 20,202,625	\$ 325,526	\$ 1,493,506	\$ 3,428,991	\$ 21,696,131
Federal CMS Grant	209,514	383,929	-	-	209,514	383,929
Rebate - Pharmacy	-	228,059	-	-	-	228,059
Federal Risk Pool Reimbursement	-	-	1,030,163	3,492,949	1,030,163	3,492,949
<b>Total Operating Revenue</b>	<b>3,312,979</b>	<b>20,814,613</b>	<b>1,355,689</b>	<b>4,986,455</b>	<b>4,668,668</b>	<b>25,801,068</b>
<b>Operating Expenses</b>						
Claim Costs	3,023,762	21,227,573	861,068	2,793,801	3,884,830	24,021,374
Claim Costs - IBNR	(315,322)	1,005,000	167,952	1,621,000	(147,370)	2,626,000
Change in LAG Adjustment Reserve	98,000	190,000	34,000	87,000	132,000	277,000
Producer Compensation	49,950	362,462	21,560	104,495	71,510	466,957
Stop Loss Expense	133,278	573,685	-	-	133,278	573,685
<b>Contractual Expenses</b>						
Legal Services	14,907	29,128	-	7,693	14,907	36,821
Accounting Services	2,212	31,168	2,180	22,256	4,392	53,424
Audit Services	-	2,515	-	-	-	2,515
Admin Services	186,761	1,317,566	42,520	275,859	229,281	1,593,425
Admin Services - Pharmacy	29,175	56,640	5,555	10,230	34,730	66,870
Communication/Outreach	5,661	45,418	64,920	393,485	70,581	438,903
PBM Procurement	-	5,512	-	-	-	5,512
Actuarial Services	5,720	26,115	664	18,117	6,384	44,232
Misc Contractual Services	-	1,858	-	-	-	1,858
<b>Total Contractual Expenses</b>	<b>244,436</b>	<b>1,515,920</b>	<b>115,839</b>	<b>727,640</b>	<b>360,275</b>	<b>2,243,560</b>
<b>Personnel Expense</b>						
Regular Salaries	10,404	91,690	10,404	115,487	20,808	207,177
Social Security	745	6,684	745	6,684	1,490	13,368
FUTA/SUTA	108	627	108	627	216	1,254
Employee Health Insurance	1,328	7,457	1,328	7,457	2,656	14,914
Employee Life Insurance	-	825	-	825	-	1,650
HSA Contributions	136	1,960	136	1,960	272	3,920
Workers Comp Insurance	37	258	37	395	74	653
Company Match 401K	624	6,215	624	6,215	1,248	12,430
Transportation Air	(68)	1,444	(68)	1,066	(136)	2,510
Transportation Ground	644	2,061	644	2,196	1,288	4,257
Lodging	451	2,249	451	2,249	902	4,498
Meals	149	422	149	422	298	844
BD/Non-Employee Transportatior	35	473	35	354	70	827
BD/Non-Employee Subsistence	-	61	-	61	-	122
Registration Services	-	-	-	-	-	-
Miscellaneous	2	60	2	50	4	110
<b>Total Personnel Expense</b>	<b>14,595</b>	<b>122,486</b>	<b>14,595</b>	<b>146,048</b>	<b>29,190</b>	<b>268,534</b>
<b>Vendor/Admin Expenses</b>						
Rent/Lease - Buildings/Office	748	6,732	748	6,732	1,496	13,464
Telephone Service	79	2,838	79	2,838	158	5,676
Cellular Phone Services	-	372	-	186	-	558
Internet Service Provider Charge:	10	261	10	68	20	329
Postage, Freight & Delivery	302	3,924	55	576	357	4,500
Print,Bind, Duplicate	-	148	-	155	-	303
Liability Insurance	746	7,600	746	6,713	1,492	14,313
General Office Supplies	77	1,127	77	1,127	154	2,254
Data Processing Supplies	-	-	-	-	-	-
Computer/IT Support Services	128	123	129	178	257	301

**North Carolina Health Insurance Risk Pool, Inc.**  
**DBA Inclusive Health**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**March 31, 2011**

	State Risk Pool		Federal Risk Pool		Total	
	One Month Ended	Nine Months Ended	One Month Ended	Nine Months Ended	One Month Ended	Nine Months Ended
	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
Furniture - Office	-	-	-	-	-	-
Equip-Voice Communication	-	-	-	-	-	-
PC/Printer Equipment	89	1,394	89	1,394	178	2,788
PC Software	-	435	-	228	-	663
Board/Meeting Expense	-	116	-	116	-	232
Membership Dues & Subscription	-	1,250	-	1,250	-	2,500
Property Taxes	-	42	-	42	-	84
Bank Service Charges	1,406	11,187	817	5,999	2,223	17,186
Total Vendor/Admin Expenses	3,585	37,549	2,750	27,602	6,335	65,151
Other Expense						
Investment Account Expense	5,774	46,476	-	-	5,774	46,476
Bad Debts	-	(60,000)	-	-	-	(60,000)
Depreciation Expense	87	780	87	780	174	1,560
Other Admin Expense						
Total Other Expense	5,861	(12,744)	87	780	5,948	(11,964)
Total Operating Expenses	3,258,145	25,021,931	1,217,851	5,508,366	4,475,996	30,530,297
Operating Income (Loss)	54,834	(4,207,318)	137,838	(521,911)	192,672	(4,729,229)
Non-Operating Revenue						
Interest and Investment Income	3,836	336,953	-	-	3,836	336,953
AARP Grant - Community Outreach	-	4,500	-	-	-	4,500
State Aid - Premium Tax	-	5,853,892	-	-	-	5,853,892
State Aid - SHP Fund	-	727,913	-	-	-	727,913
Total Non-Operating Revenue	3,836	6,923,258	-	-	3,836	6,923,258
Increase (Decrease) in Net Assets	\$ 58,670	\$ 2,715,940	\$ 137,838	\$ (521,911)	\$ 196,508	\$ 2,194,029
Net Assets, beginning of year		31,824,281		-		31,824,281
Net Assets, end of year	\$	34,540,221	\$	(521,911)	\$	34,018,310

**North Carolina Health Insurance Risk Pool, Inc.**  
**DBA Inclusive Health**  
**Statement of Revenues, Expenses - Budget vs. Actual**  
**State Risk Pool**

	One Month Ended March 31, 2011			Nine Months Ended March 31, 2011		
	March	Budget	Over(Under) Budget	July - Mar	Budget	Over(Under) Budget
Member Months	5,703	5,055	648	42,525	40,240	2,285
Operating Revenue						
Monthly Premiums	\$ 3,103,465	\$ 2,496,123	\$ 607,342	\$ 20,202,625	\$ 19,988,210	\$ 214,415
Rebate - Pharmacy	-	-	-	228,059	-	228,059
Federal CMS Grant No. 1	-	-	-	-	750,003	(750,003)
Federal CMS Grant No. 2	209,514	173,465	36,049	383,929	1,040,793	(656,864)
Total Operating Revenue	3,312,979	2,669,588	643,391	20,814,613	21,779,006	(964,393)
Operating Expenses						
Claim Costs	3,023,762	3,630,645	(606,883)	21,227,573	23,992,545	(2,764,972)
Claim Costs - IBNR	(315,322)	-	(315,322)	1,005,000	-	1,005,000
Change in LAG Adjustment Reserve	98,000	-	98,000	190,000	-	190,000
Producer Compensation	49,950	24,840	25,110	362,462	223,560	138,902
Stop Loss Expense	133,278	72,640	60,638	573,685	578,249	(4,564)
Contractual Expenses						
Legal Services	14,907	2,460	12,447	29,128	22,140	6,988
Accounting Services	2,212	2,645	(433)	31,168	23,801	7,367
Audit Services	-	1,198	(1,198)	2,515	18,281	(15,766)
Admin Services	186,761	162,013	24,748	1,317,566	1,289,692	27,874
Admin Services - Pharmacy	29,175	-	29,175	56,640	-	56,640
Communication/Outreach	5,661	8,333	(2,672)	45,418	75,000	(29,582)
PBM Procurement	-	625	(625)	5,512	5,625	(113)
Actuarial Services	5,720	5,990	(270)	26,115	53,910	(27,795)
Misc Contractual Services	-	-	-	1,858	-	1,858
Total Contractual Expenses	244,436	183,264	61,172	1,515,920	1,488,449	27,471
Personnel Expense						
Regular Salaries	10,404	10,237	167	91,690	92,134	(444)
Social Security	745	712	33	6,684	6,409	275
FUTA/SUTA	108	44	64	627	396	231
Employee Health Insurance	1,328	707	621	7,457	6,360	1,097
Employee Life Insurance	-	57	(57)	825	508	317
HSA Contributions	136	75	61	1,960	1,875	85
Workers Comp Insurance	37	65	(28)	258	584	(326)
Company Match 401K	624	614	10	6,215	5,528	687
Transportation Air	(68)	125	(193)	1,444	1,125	319
Transportation Ground	644	212	432	2,061	1,912	149
Lodging	451	145	306	2,249	1,309	940
Meals	149	25	124	422	225	197
BD/Non-Employee Transportation	35	126	(91)	473	1,134	(661)
BD/Non-Employee Subsistence	-	43	(43)	61	389	(328)
Registration Services	-	52	(52)	-	469	(469)
Miscellaneous	2	75	(73)	60	673	(613)
Total Personnel Expense	14,595	13,314	1,281	122,486	121,030	1,456
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	748	752	(4)	6,732	6,766	(34)
Telephone Service	79	334	(255)	2,838	3,008	(170)

**North Carolina Health Insurance Risk Pool, Inc.**  
**DBA Inclusive Health**  
**Statement of Revenues, Expenses - Budget vs. Actual**  
**State Risk Pool**

	One Month Ended March 31, 2011			Nine Months Ended March 31, 2011		
	March	Budget	Over(Under) Budget	July - Mar	Budget	Over(Under) Budget
Cellular Phone Services	-	65	(65)	372	580	(208)
Internet Service Provider Charges	10	54	(44)	261	490	(229)
Postage, Freight & Delivery	302	239	63	3,924	2,154	1,770
Print, Bind, Duplicate	-	83	(83)	148	750	(602)
Liability Insurance	746	737	9	7,600	6,634	966
General Office Supplies	77	76	1	1,127	685	442
Data Processing Supplies	-	2	(2)	-	19	(19)
Computer/IT Support Services	128	50	78	123	450	(327)
Furniture - Office	-	125	(125)	-	1,125	(1,125)
Equip-Voice Communication	-	83	(83)	-	750	(750)
PC/Printer Equipment	89	-	89	1,394	-	1,394
PC Software	-	37	(37)	435	329	106
Board/Meeting Expense	-	-	-	116	-	116
Membership Dues & Subscriptions	-	57	(57)	1,250	510	740
Property Taxes	-	-	-	42	-	42
Bank Service Charges	1,406	1,121	285	11,187	10,088	1,099
<b>Total Vendor/Admin Expenses</b>	<b>3,585</b>	<b>3,815</b>	<b>(230)</b>	<b>37,549</b>	<b>34,338</b>	<b>3,211</b>
<b>Other Expense</b>						
Investment Expense	5,774	4,884	890	46,476	43,956	2,520
Bad Debts	-	-	-	(60,000)	-	(60,000)
Depreciation Expense	87	87	-	780	780	-
Other Admin Expense	-	32	(32)	-	290	(290)
<b>Total Other Expense</b>	<b>5,861</b>	<b>5,003</b>	<b>858</b>	<b>(12,744)</b>	<b>45,026</b>	<b>(57,770)</b>
<b>Total Operating Expenses</b>	<b>3,258,145</b>	<b>3,933,521</b>	<b>(675,376)</b>	<b>25,021,931</b>	<b>26,483,197</b>	<b>(1,461,266)</b>
<b>Operating Income (Loss)</b>	<b>54,834</b>	<b>(1,263,933)</b>	<b>1,318,767</b>	<b>(4,207,318)</b>	<b>(4,704,191)</b>	<b>496,873</b>
<b>Non-Operating Revenue</b>						
Interest and Investment Income	3,836	48,902	(45,066)	336,953	440,118	(103,165)
AARP Grant - Community Outreach	-	-	-	4,500	-	4,500
Premium Tax	-	-	-	5,853,892	1,330,000	4,523,892
SHP Fund	-	-	-	727,913	727,913	-
<b>Total Non-Operating Revenue</b>	<b>3,836</b>	<b>48,902</b>	<b>(45,066)</b>	<b>6,923,258</b>	<b>2,498,031</b>	<b>4,425,227</b>
<b>Increase (decrease) in Net Assets</b>	<b>58,670</b>	<b>(1,215,031)</b>	<b>1,273,701</b>	<b>2,715,940</b>	<b>(2,206,160)</b>	<b>4,922,100</b>

**North Carolina Health Insurance Risk Pool, Inc.**  
**DBA Inclusive Health**  
**Statement of Revenues, Expenses - Budget vs. Actual**  
**Federal Risk Pool**

	One Month Ended March 31, 2011			Nine Months Ended March 31, 2011		
	March	Budget	Over(Under) Budget	July - Mar	Budget	Over(Under) Budget
Member Months	1,117	2,708	(1,591)	4,663	13,560	(8,897)
Operating Revenue						
Monthly Premiums	\$ 325,526	\$ 1,035,298	\$ (709,772)	\$ 1,493,506	\$ 5,184,548	\$ (3,691,042)
Federal Risk Pool Reimbursement	1,030,163	1,196,534	(166,371)	3,492,949	5,036,015	(1,543,066)
Total Operating Revenue	1,355,689	2,231,832	(876,143)	4,986,455	10,220,563	(5,234,108)
Operating Expenses						
Claim Costs	861,068	2,319,179	(1,458,111)	2,793,801	11,383,817	(8,590,016)
Claim Costs - IBNR	167,952	-	167,952	1,621,000	-	1,621,000
Change in LAG Adjustment Reserve	34,000	-	34,000	87,000	-	87,000
Producer Compensation	21,560	27,540	(5,980)	104,495	276,216	(171,721)
Contractual Expenses						
Legal Services	-	2,460	(2,460)	7,693	22,140	(14,447)
Accounting Services	2,180	2,645	(465)	22,256	23,799	(1,543)
Audit Services	-	1,198	(1,198)	-	18,281	(18,281)
Admin Services	42,520	100,061	(57,541)	275,859	526,042	(250,183)
Admin Services - Pharmacy	5,555	-	5,555	10,230	-	10,230
Communication/Outreach	64,920	41,666	23,254	393,485	375,000	18,485
PBM Procurement	-	625	(625)	-	5,625	(5,625)
Actuarial Services	664	5,990	(5,326)	18,117	80,110	(61,993)
Misc Contractual Services	-	229	(229)	-	2,057	(2,057)
Total Contractual Expenses	115,839	154,874	(39,035)	727,640	1,053,054	(325,414)
Personnel Expense						
Regular Salaries	10,404	10,237	167	115,487	92,134	23,353
Social Security	745	712	33	6,684	6,410	274
FUTA/SUTA	108	44	64	627	396	231
Employee Health Insurance	1,328	707	621	7,457	6,360	1,097
Employee Life Insurance	-	57	(57)	825	508	317
HSA Contributions	136	75	61	1,960	1,875	85
Workers Comp Insurance	37	65	(28)	395	584	(189)
Company Match 401K	624	614	10	6,215	5,528	687
Transportation Air	(68)	125	(193)	1,066	1,125	(59)
Transportation Ground	644	213	431	2,196	1,912	284
Lodging	451	145	306	2,249	1,309	940
Meals	149	25	124	422	225	197
BD/Non-Employee Transportation	35	126	(91)	354	1,134	(780)
BD/Non-Employee Subsistence	-	43	(43)	61	389	(328)
Registration Services	-	52	(52)	-	469	(469)
Miscellaneous	2	75	(73)	50	673	(623)
Total Personnel Expense	14,595	13,315	1,280	146,048	121,031	25,017
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	748	752	(4)	6,732	6,766	(34)
Telephone Service	79	334	(255)	2,838	3,008	(170)
Cellular Phone Services	-	65	(65)	186	580	(394)
Internet Service Provider Charges	10	54	(44)	68	490	(422)
Postage, Freight & Delivery	55	239	(184)	576	2,154	(1,578)



**North Carolina Health Insurance Risk Pool, Inc.**  
**DBA Inclusive Health**  
**Statement of Revenues, Expenses - Budget vs. Actual**  
**Federal Risk Pool**

	One Month Ended March 31, 2011			Nine Months Ended March 31, 2011		
	March	Budget	Over(Under) Budget	July - Mar	Budget	Over(Under) Budget
Print, Bind, Duplicate	-	83	(83)	155	750	(595)
Liability Insurance	746	737	9	6,713	6,634	79
General Office Supplies	77	76	1	1,127	685	442
Data Processing Supplies	-	2	(2)	-	19	(19)
Computer/IT Support Services	129	50	79	178	450	(272)
Furniture - Office	-	125	(125)	-	1,125	(1,125)
Equip-Voice Communication	-	83	(83)	-	750	(750)
PC/Printer Equipment	89	37	52	1,394	329	1,065
PC Software	-	57	(57)	228	510	(282)
Board/Meeting Expense	-	-	-	116	-	116
Membership Dues & Subscriptions	-	-	-	1,250	-	1,250
Property Taxes	-	-	-	42	-	42
Bank Service Charges	817	1,121	(304)	5,999	10,088	(4,089)
<b>Total Vendor/Admin Expenses</b>	<b>2,750</b>	<b>3,815</b>	<b>(1,065)</b>	<b>27,602</b>	<b>34,338</b>	<b>(6,736)</b>
<b>Other Expense</b>						
Depreciation Expense	87	87	-	780	780	-
Other Admin Expense	-	32	(32)	-	290	(290)
<b>Total Other Expense</b>	<b>87</b>	<b>119</b>	<b>(32)</b>	<b>780</b>	<b>1,070</b>	<b>(290)</b>
<b>Total Operating Expenses</b>	<b>1,217,851</b>	<b>2,518,842</b>	<b>(1,300,991)</b>	<b>5,508,366</b>	<b>12,869,526</b>	<b>(7,361,160)</b>
<b>Operating Income (Loss)</b>	<b>137,838</b>	<b>(287,010)</b>	<b>424,848</b>	<b>(521,911)</b>	<b>(2,648,963)</b>	<b>2,127,052</b>
<b>Non-Operating Revenue</b>						
Interest and Investment Income	-	-	-	-	-	-
<b>Total Non-Operating Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets</b>	<b>137,838</b>	<b>(287,010)</b>	<b>424,848</b>	<b>(521,911)</b>	<b>(2,648,963)</b>	<b>2,127,052</b>