



Cherry, Bekaert & Holland, L.L.P.

The Firm of Choice.

www.cbh.com

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 June 30, 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
July 26, 2011

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Net Assets
June 30, 2011

ASSETS

Current Assets

Checking/Savings

Cash - State - BB&T-Operating Account	\$ (672,343)
Cash - State - BB&T - Master Account	1,914,676
Cash - State - BB&T - Money Market Account	4,468,946
Cash - Federal - BB&T - Master Account	3,066,730
Cash - Federal - BB&T - Operating Account	98,228
First Citizens Trust Services	34,834,184

Total Checking/Savings	43,710,421
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Other Current Assets

Due from HHS - Federal Risk Pool	327,235
Grant Receivable - Federal CMS \$2,081,586	1,099,422
Due from MedTrak - State Pool Pharmacy Rebates	274,112
Due from MedTrak - Federal Pool Pharmacy Rebates	12,903
Prepaid Rent	3,082
Prepaid Insurance	17,766
Prepaid expenses	227,552
Unpaid Billed Balance - State Risk Pool	4,765
Unpaid Billed Balance - Federal Risk Pool	5,288
Allowance for Doubtful Accounts	(5,000)

Total Other Current Assets	1,967,125
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Total Current Assets	45,677,546
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Fixed Assets

Furniture and Equipment	12,623
Accumulated Depreciation	(6,473)

Total Fixed Assets	6,150
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TOTAL ASSETS	\$ 45,683,696
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LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	\$ 39,738
Pending Premiums - State Risk Pool	44,210
Pending Premiums - Federal Risk Pool	1,372
Unearned Premiums - State Risk Pool	466,016
Unearned Premiums - Federal Risk Pool	581
Unearned Revenue - Federal Grant #2	1,099,422
Unprocessed premiums & adjustments - State Risk Pool	12,476
Unprocessed premiums & adjustments - Federal Risk Pool	(1,230)
Obligated on CMS Subsidy Grant - State Risk Pool	970,284
Claims Payable - State Risk Pool	534,674
Claims Payable - Federal Risk Pool	714,413
IBNR Reserves - State Risk Pool	3,983,000
IBNR Reserves - Federal Risk Pool	1,827,000

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Net Assets
June 30, 2011

Lag Adjustment Reserve - State Risk Pool	537,000
Lag Adjustment Reserve - Federal Risk Pool	132,000
Premium Deficiency Reserve - State Risk Pool	28,112
Premium Deficiency Reserve - Federal Risk Pool	909
Accrued Payroll Taxes	4,821
Escheats Fund Payable	3,858
Total Other Current Liabilities	<u>10,398,656</u>
 Total Current Liabilities	 <u>10,398,656</u>
 Total Liabilities	 10,398,656
 Net Assets	
Invested in capital assets	6,150
Unrestricted Net Assets	35,278,890
Total Net Assets	<u>35,285,040</u>
 TOTAL LIABILITIES & NET ASSETS	 <u><u>\$ 45,683,696</u></u>

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses and Changes in Fund Net Assets
June 30, 2011

	State Risk Pool		Federal Risk Pool		Total	
	One Month Ended June 30, 2011	Twelve Months Ended June 30, 2011	One Month Ended June 30, 2011	Twelve Months Ended June 30, 2011	One Month Ended June 30, 2011	Twelve Months Ended June 30, 2011
Operating Revenue						
Monthly Premiums	\$ 3,258,813	\$ 29,983,835	\$ 500,630	\$ 2,823,392	\$ 3,759,443	\$ 32,807,227
Federal CMS Grant	232,383	982,164	-	-	232,383	982,164
Rebate - Pharmacy	274,112	737,211	12,903	15,734	287,015	752,945
Federal Risk Pool Reimbursement	-	-	1,215,647	6,584,563	1,215,647	6,584,563
Total Operating Revenue	3,765,308	31,703,210	1,729,180	9,423,689	5,494,488	41,126,899
Operating Expenses						
Medical Claim Costs	2,356,893	16,694,217	683,749	3,968,325	3,040,642	20,662,542
Pharmacy Claim Costs	1,514,745	13,892,368	240,990	1,445,133	1,755,735	15,337,501
Claim Costs - IBNR	201,000	1,206,000	206,000	1,827,000	407,000	3,033,000
Change in LAG Adjustment Reserve	57,000	247,000	45,000	132,000	102,000	379,000
Change in Premium Deficiency Reserve	28,112	28,112	909	909	29,021	29,021
Producer Compensation	43,300	510,773	22,150	176,016	65,450	686,789
Stop Loss Expense	-	717,317	-	-	-	717,317
Contractual Expenses						
Legal Services	1,425	36,188	-	8,839	1,425	45,027
Accounting Services	2,826	40,045	2,754	30,671	5,580	70,716
Audit Services	-	37,970	-	454	-	38,424
Admin Services	201,070	1,926,994	61,183	442,508	262,253	2,369,502
Admin Services - Pharmacy	32,805	143,495	8,490	42,175	41,295	185,670
Communication/Outreach	19,131	68,752	14,206	592,320	33,337	661,072
PBM Procurement	-	5,513	-	-	-	5,513
Actuarial Services	1,445	36,336	6,111	27,878	7,556	64,214
Misc Contractual Services	-	3,139	-	-	-	3,139
Total Contractual Expenses	258,702	2,298,432	92,744	1,144,845	351,446	3,443,277
Personnel Expense						
Regular Salaries	10,425	123,275	10,425	147,072	20,850	270,347
Social Security	767	8,995	767	8,995	1,534	17,990
FUTA/SUTA	-	758	-	758	-	1,516
Employee Health Insurance	(397)	8,163	(397)	8,163	(794)	16,326
Employee Life Insurance	-	1,086	-	1,086	-	2,172
HSA Contributions	68	2,164	68	2,164	136	4,328
Workers Comp Insurance	73	869	73	1,006	146	1,875
Company Match 401K	625	8,110	626	8,110	1,251	16,220
Transportation Air	444	2,158	444	1,780	888	3,938
Transportation Ground	339	3,079	339	3,214	678	6,293
Lodging	134	2,432	134	2,432	268	4,864
Meals	71	556	70	556	141	1,112
BD/Non-Employee Transportation	-	674	-	495	-	1,169
BD/Non-Employee Subsistence	-	217	-	217	-	434
Registration Services	-	-	-	-	-	-
Miscellaneous	-	60	-	50	-	110
Total Personnel Expense	12,549	162,596	12,549	186,098	25,098	348,694
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	770	9,021	770	9,021	1,540	18,042
Telephone Service	435	4,419	437	4,421	872	8,840
Cellular Phone Services	-	620	-	434	-	1,054
Internet Service Provider Charges	-	285	10	103	10	388
Postage, Freight & Delivery	141	4,223	78	729	219	4,952
Print, Bind, Duplicate	-	148	-	155	-	303
Liability Insurance	746	9,838	746	8,951	1,492	18,789

North Carolina Health Insurance Risk Pool, Inc.
DBA Inclusive Health
Statement of Revenues, Expenses and Changes in Fund Net Assets
June 30, 2011

	State Risk Pool		Federal Risk Pool		Total	
	One Month Ended June 30, 2011	Twelve Months Ended June 30, 2011	One Month Ended June 30, 2011	Twelve Months Ended June 30, 2011	One Month Ended June 30, 2011	Twelve Months Ended June 30, 2011
General Office Supplies	-	1,696	-	1,696	-	3,392
Data Processing Supplies	-	-	-	-	-	-
Computer/IT Support Services	-	123	-	178	-	301
Furniture - Office	-	-	-	-	-	-
Equip-Voice Communication	22	44	22	44	44	88
PC/Printer Equipment	-	1,394	-	1,394	-	2,788
PC Software	-	440	-	233	-	673
Board/Meeting Expense	-	116	-	116	-	232
Membership Dues & Subscriptions	500	1,750	500	1,750	1,000	3,500
Property Taxes	-	42	-	42	-	84
Bank Service Charges	1,092	14,097	1,010	8,799	2,102	22,896
Total Vendor/Admin Expenses	3,706	48,256	3,573	38,066	7,279	86,322
Other Expense						
Investment Account Expense	5,792	63,825	-	-	5,792	63,825
Bad Debts	(7,500)	(67,500)	(2,500)	(2,500)	(10,000)	(70,000)
Depreciation Expense	87	1,040	87	1,041	174	2,081
Other Admin Expense	-	-	-	-	-	-
Total Other Expense	(1,621)	(2,635)	(2,413)	(1,459)	(4,034)	(4,094)
Total Operating Expenses	4,474,386	35,802,436	1,305,251	8,916,933	5,779,637	44,719,369
Operating Income (Loss)	(709,078)	(4,099,226)	423,929	506,756	(285,149)	(3,592,470)
Non-Operating Revenue						
Interest and Investment Income	(7,112)	466,924	-	-	(7,112)	466,924
AARP Grant - Community Outreach	-	4,500	-	-	-	4,500
State Aid - Premium Tax	-	5,853,892	-	-	-	5,853,892
State Aid - SHP Fund	-	727,912	-	-	-	727,912
Total Non-Operating Revenue	(7,112)	7,053,228	-	-	(7,112)	7,053,228
Increase (Decrease) in Net Assets	\$ (716,190)	\$ 2,954,002	\$ 423,929	\$ 506,756	\$ (292,261)	\$ 3,460,758
Net Assets, beginning of year		31,824,282		-		31,824,282
Net Assets, end of year		\$ 34,778,284		\$ 506,756		\$ 35,285,040

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

	One Month Ended June 30, 2011			Twelve Months Ended June 30, 2011		
	June	Budget	Over(Under) Budget	July - June	Budget	Over(Under) Budget
Member Months	6,308	5,439	869	61,477	56,173	5,304
Operating Revenue						
Monthly Premiums	\$ 3,258,813	\$ 2,851,651	\$ 407,162	\$ 29,983,835	\$ 28,162,912	\$ 1,820,923
Rebate - Pharmacy	274,112	-	274,112	737,211	-	737,211
Federal CMS Grant No. 1	-	-	-	-	750,003	(750,003)
Federal CMS Grant No. 2	232,383	173,465	58,918	982,164	1,561,189	(579,025)
Total Operating Revenue	3,765,308	3,025,116	740,192	31,703,210	30,474,104	1,229,106
Operating Expenses						
Medical Claim Costs	2,356,893	3,887,340	(1,530,447)	16,694,217	34,516,639	(17,822,422)
Pharmacy Claim Costs	1,514,745	-	1,514,745	13,892,368	-	13,892,368
Claim Costs - IBNR	201,000	-	201,000	1,206,000	-	1,206,000
Change in LAG Adjustment Reserve	57,000	-	57,000	247,000	-	247,000
Change in Premium Deficiency Reserve	28,112	-	28,112	28,112	-	28,112
Producer Compensation	43,300	24,840	18,460	510,773	298,080	212,693
Stop Loss Expense	-	78,158	(78,158)	717,317	807,206	(89,889)
Contractual Expenses						
Legal Services	1,425	2,460	(1,035)	36,188	29,520	6,668
Accounting Services	2,826	2,645	181	40,045	31,734	8,311
Audit Services	-	1,198	(1,198)	37,970	21,875	16,095
Admin Services	201,070	174,320	26,750	1,926,994	1,800,345	126,649
Admin Services - Pharmacy	32,805	-	32,805	143,495	-	143,495
Communication/Outreach	19,131	8,333	10,798	68,752	100,000	(31,248)
PBM Procurement	-	625	(625)	5,513	7,500	(1,987)
Actuarial Services	1,445	5,990	(4,545)	36,336	71,880	(35,544)
Misc Contractual Services	-	-	-	3,139	-	3,139
Total Contractual Expenses	258,702	195,571	63,131	2,298,432	2,062,854	235,578
Personnel Expense						
Regular Salaries	10,425	10,237	188	123,275	122,846	429
Social Security	767	712	55	8,995	8,546	449
FUTA/SUTA	-	44	(44)	758	528	230
Employee Health Insurance	(397)	707	(1,104)	8,163	8,480	(317)
Employee Life Insurance	-	57	(57)	1,086	678	408
HSA Contributions	68	75	(7)	2,164	2,100	64
Workers Comp Insurance	73	65	8	869	778	91
Company Match 401K	625	614	11	8,110	7,371	739
Transportation Air	444	125	319	2,158	1,500	658
Transportation Ground	339	212	127	3,079	2,550	529
Lodging	134	145	(11)	2,432	1,745	687
Meals	71	25	46	556	300	256
BD/Non-Employee Transportation	-	126	(126)	674	1,512	(838)
BD/Non-Employee Subsistence	-	43	(43)	217	518	(301)
Registration Services	-	52	(52)	-	625	(625)
Miscellaneous	-	75	(75)	60	897	(837)
Total Personnel Expense	12,549	13,314	(765)	162,596	160,974	1,622

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

	One Month Ended June 30, 2011			Twelve Months Ended June 30, 2011		
	June	Budget	Over(Under) Budget	July - June	Budget	Over(Under) Budget
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	770	752	18	9,021	9,021	-
Telephone Service	435	334	101	4,419	4,011	408
Cellular Phone Services	-	65	(65)	620	774	(154)
Internet Service Provider Charges	-	54	(54)	285	654	(369)
Postage, Freight & Delivery	141	239	(98)	4,223	2,871	1,352
Print, Bind, Duplicate	-	83	(83)	148	1,000	(852)
Liability Insurance	746	737	9	9,838	8,845	993
General Office Supplies	-	76	(76)	1,696	913	783
Data Processing Supplies	-	2	(2)	-	25	(25)
Computer/IT Support Services	-	50	(50)	123	600	(477)
Furniture - Office	-	125	(125)	-	1,500	(1,500)
Equip-Voice Communication	22	83	(61)	44	1,000	(956)
PC/Printer Equipment	-	-	-	1,394	-	1,394
PC Software	-	37	(37)	440	439	1
Board/Meeting Expense	-	-	-	116	-	116
Membership Dues & Subscriptions	500	57	443	1,750	680	1,070
Property Taxes	-	-	-	42	-	42
Bank Service Charges	1,092	1,121	(29)	14,097	13,450	647
Total Vendor/Admin Expenses	3,706	3,815	(109)	48,256	45,783	2,473
Other Expense						
Investment Expense	5,792	4,884	908	63,825	58,608	5,217
Bad Debts	(7,500)	-	(7,500)	(67,500)	-	(67,500)
Depreciation Expense	87	87	-	1,040	1,040	-
Other Admin Expense	-	32	(32)	-	386	(386)
Total Other Expense	(1,621)	5,003	(6,624)	(2,635)	60,034	(62,669)
Total Operating Expenses	4,474,386	4,208,041	266,345	35,802,436	37,951,570	(2,149,134)
Operating Income (Loss)	(709,078)	(1,182,925)	473,847	(4,099,226)	(7,477,466)	3,378,240
Non-Operating Revenue						
Interest and Investment Income	(7,112)	48,902	(56,014)	466,924	586,825	(119,901)
AARP Grant - Community Outreach	-	-	-	4,500	-	4,500
Premium Tax	-	-	-	5,853,892	1,330,000	4,523,892
SHP Fund	-	-	-	727,912	727,912	-
Total Non-Operating Revenue	(7,112)	48,902	(56,014)	7,053,228	2,644,737	4,408,491
Increase (decrease) in Net Assets	(716,190)	(1,134,023)	417,833	2,954,002	(4,832,729)	7,786,731

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

	One Month Ended June 30, 2011			Twelve Months Ended June 30, 2011		
	June	Budget	Over(Under) Budget	July - June	Budget	Over(Under) Budget
Member Months	1,616	3,517	(1,901)	9,079	23,302	(14,223)
Operating Revenue						
Monthly Premiums	\$ 500,630	\$ 1,344,679	\$ (844,049)	\$ 2,823,392	\$ 8,909,204	\$ (6,085,812)
Rebate - Pharmacy	\$ 12,903	\$ -	\$ 12,903	\$ 15,734	\$ -	\$ 15,734
Federal Risk Pool Reimbursement	1,215,647	1,644,065	(428,418)	6,584,563	9,514,262	(2,929,699)
Total Operating Revenue	1,729,180	2,988,744	(1,259,564)	9,423,689	18,423,466	(8,999,777)
Operating Expenses						
Medical Claim Costs	683,749	3,084,862	(2,401,113)	3,968,325	19,864,952	(15,896,627)
Pharmacy Claim Costs	240,990	-	240,990	1,445,133	-	1,445,133
Claim Costs - IBNR	206,000	-	206,000	1,827,000	-	1,827,000
Change in LAG Adjustment Reserve	45,000	-	45,000	132,000	-	132,000
Change in Premium Deficiency Reserve	909	-	909	909	-	909
Producer Compensation	22,150	27,540	(5,390)	176,016	358,734	(182,718)
Contractual Expenses						
Legal Services	-	2,460	(2,460)	8,839	29,520	(20,681)
Accounting Services	2,754	2,645	109	30,671	31,734	(1,063)
Audit Services	-	1,197	(1,197)	454	21,875	(21,421)
Admin Services	61,183	129,953	(68,770)	442,508	886,009	(443,501)
Admin Services - Pharmacy	8,490	-	8,490	42,175	-	42,175
Communication/Outreach	14,206	41,667	(27,461)	592,320	500,000	92,320
PBM Procurement	-	625	(625)	-	7,500	(7,500)
Actuarial Services	6,111	5,990	121	27,878	98,080	(70,202)
Misc Contractual Services	-	229	(229)	-	2,743	(2,743)
Total Contractual Expenses	92,744	184,766	(92,022)	1,144,845	1,577,461	(432,616)
Personnel Expense						
Regular Salaries	10,425	10,237	188	147,072	122,846	24,226
Social Security	767	712	55	8,995	8,546	449
FUTA/SUTA	-	44	(44)	758	528	230
Employee Health Insurance	(397)	707	(1,104)	8,163	8,480	(317)
Employee Life Insurance	-	57	(57)	1,086	678	408
HSA Contributions	68	75	(7)	2,164	2,100	64
Workers Comp Insurance	73	65	8	1,006	778	228
Company Match 401K	626	614	12	8,110	7,371	739
Transportation Air	444	125	319	1,780	1,500	280
Transportation Ground	339	213	126	3,214	2,550	664
Lodging	134	145	(11)	2,432	1,745	687
Meals	70	25	45	556	300	256
BD/Non-Employee Transportation	-	126	(126)	495	1,512	(1,017)
BD/Non-Employee Subsistence	-	43	(43)	217	518	(301)
Registration Services	-	52	(52)	-	625	(625)
Miscellaneous	-	75	(75)	50	897	(847)
Total Personnel Expense	12,549	13,315	(766)	186,098	160,974	25,124
Vendor/Admin Expenses						
Rent/Lease - Buildings/Office	770	752	18	9,021	9,021	-
Telephone Service	437	334	103	4,421	4,011	410

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

	One Month Ended June 30, 2011			Twelve Months Ended June 30, 2011		
	June	Budget	Over(Under) Budget	July - June	Budget	Over(Under) Budget
Cellular Phone Services	-	65	(65)	434	774	(340)
Internet Service Provider Charges	10	54	(44)	103	654	(551)
Postage, Freight & Delivery	78	239	(161)	729	2,871	(2,142)
Print,Bind, Duplicate	-	83	(83)	155	1,000	(845)
Liability Insurance	746	737	9	8,951	8,845	106
General Office Supplies	-	76	(76)	1,696	913	783
Data Processing Supplies	-	2	(2)	-	25	(25)
Computer/IT Support Services	-	50	(50)	178	600	(422)
Furniture - Office	-	125	(125)	-	1,500	(1,500)
Equip-Voice Communication	22	83	(61)	44	1,000	(956)
PC/Printer Equipment	-	37	(37)	1,394	439	955
PC Software	-	57	(57)	233	681	(448)
Board/Meeting Expense	-	-	-	116	-	116
Membership Dues & Subscriptions	500	-	500	1,750	-	1,750
Property Taxes	-	-	-	42	-	42
Bank Service Charges	1,010	1,121	(111)	8,799	13,450	(4,651)
Total Vendor/Admin Expenses	3,573	3,815	(242)	38,066	45,784	(7,718)
Other Expense						
Depreciation Expense	87	87	-	1,041	1,040	1
Bad Debts	(2,500)	-	(2,500)	(2,500)	-	(2,500)
Other Admin Expense	-	32	(32)	-	386	(386)
Total Other Expense	(2,413)	119	(2,532)	(1,459)	1,426	(2,885)
Total Operating Expenses	1,305,251	3,314,417	(2,009,166)	8,916,933	22,009,331	(13,092,398)
Operating Income (Loss)	423,929	(325,673)	749,602	506,756	(3,585,865)	4,092,621
Non-Operating Revenue						
Interest and Investment Income	-	-	-	-	-	-
Total Non-Operating Revenue	-	-	-	-	-	-
Increase (Decrease) in Net Assets	423,929	(325,673)	749,602	506,756	(3,585,865)	4,092,621